GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

2023 YEAR-END TAX PLANNING FOR SMALL BUSINESSES

AN INDEPENDENT MEMBER OF BDO ALLIANCE USA

Guilmartin, DiPiro & Sokolowski, LLC is an independent member of BDO Alliance USA. We are proud to share important information about financial matters with clients.

As we wrap up 2023, it's important to take a closer look at your tax and financial plans and discuss steps to reduce taxes and help you save for your future. With the current political climate, there has been minimal tax legislation. Looking to the future, the potential for change is on the horizon, and we continue to closely monitor any potential tax legislation and update you accordingly.

We're here to help explain tax and financial planning opportunities. Please contact us at your earliest convenience to discuss your situation so we can develop a customized plan. In the meantime, here's a look at some issues impacting small businesses to consider as we approach year-end.

Analysis of Your Financial Statements

Look at where your business is positioned with income and expenses to close out the tax year. This may mean getting caught up on your bookkeeping to have a better picture of where your tax situation stands. We can help you analyze your financial statements for tax savings and planning opportunities.

Deferral of Income and Accelerating Expenses

Many times, there may be strategies such as deferral or acceleration of income or prepayment or deferral of expenses, that can help you save taxes and thereby strengthen your financial position.

For example, in terms of property and equipment purchases, you may benefit from making these purchases before the end of the year. Many purchases can be completely written off by businesses in the year they are placed in service. Plus, there are tax-favorable rules that permit qualified improvement property to qualify for 15-year depreciation and, therefore, also be eligible for 80% first-year bonus depreciation. The percentage for first-year bonus depreciation is set to decrease to 60% for 2024 unless Congress passes legislation. Thus, it's important to consider the timing of your capital purchases. Let us help you receive the best tax treatment.

Business Meals

As you enter the holiday season and have more social gatherings with your customers and employees, keep in mind the rules for business meal deductions. The 100% deduction for restaurant meals is not available for 2023, but there are circumstances where certain business meals may qualify for a 100% deduction. It is important to properly categorize your expenses.

Net Operating Losses (NOLs)

If your deductions for the year are more than your income for the year, you may have an NOL. In general, you can use an NOL by deducting it from your income in other year(s), but it is limited to 80% of your taxable business income in any one year. We can advise you on any potential tax benefits and limits.

Energy Tax Incentives

There are many tax incentives to encourage businesses to decrease their carbon footprint and become more environmentally sustainable.

When certain criteria are met, businesses may be able to claim tax credits for items such as:

- Electricity produced from certain renewable sources (including geothermal, solar and wind facilities)
- Energy efficient home improvements (only available to eligible contractors and manufactured home manufacturers)
- Alternate fuels

In addition, businesses may be eligible for a tax deduction based on the energy savings generated for qualifying energy efficient commercial building property.

The rules are complex, and careful research and planning now can be beneficial.

Beneficial Ownership Interest (BOI) Reporting

The Corporate Transparency Act (CTA) requires the disclosure of the beneficial ownership information of certain entities to the Financial Crimes Enforcement Network (FinCEN) starting in 2024. This is not a tax filing requirement, but an online report to be completed if applicable to FinCEN. There are severe penalties for businesses who willingly do not comply with the requirements.

Additional Tax and Other Planning Considerations

- **Employee retention credit (ERC)** — The IRS warned employers to be cautious of third parties taking improper positions related to ERC eligibility, as claiming the credit inaccurately can result in severe consequences. We can help you appropriately navigate the ERC.
- **Charitable contributions** — For tax year 2023, the maximum allowable contribution deduction is limited to 10% of a corporation's taxable income. Flowthrough entities' charitable contributions may be limited based on the owner's taxable income. Careful planning is needed to capture the tax benefit potential of charitable contributions.
- **Transactions between business and the owners** — Transactions between a business and its owners carry significant tax considerations. This includes aspects such as loans, distributions, and salaries. Our expertise lies in structuring these elements in a manner that is most beneficial from a tax perspective.
- **Partnership audit and adjustment rules —** Changes to the partnership audit and adjustment rules have been in effect for a few years but we are still seeing some partnerships and their partners blindsided at the unpleasant consequences that can arise from these rules. Careful planning today can help mitigate any unfavorable consequences to both the entity and the partners themselves. Also,

be aware that even if your business isn't a partnership, you'll want to evaluate the effect these rules could have if you've invested in any partnership.

- **IRS Forms K-2 and K-3 —** These forms can require much effort and potentially apply to even smaller entities. Let's discuss how these schedules apply to your situation and strategize to comply with this important requirement.
- **Digital assets and virtual currency** — The sale or exchange of virtual currencies, the use of such currencies to pay for goods or services or holding such currencies as an investment, generally have tax impacts — and the IRS continues to increase its scrutiny in this area. We can help you understand any tax and investment consequences.
- **State and local tax considerations** — Businesses have numerous state and local tax matters to consider for compliance and planning purposes, including where income and sales are subject to tax, sourcing of income and the application of elective taxes that many states have for partnerships and S corporations. Let us help you with your state and local income tax needs, including sales/use and franchises taxes.
- **Preparing for disasters** — Do you have a disaster recovery plan in place for your business and, if so, have you updated it recently? We can help you review your plan, especially as it relates to financial information.
- **Retirement plans** — Have you revisited your company's retirement plan lately? Recent legislation has provided new opportunities to consider. Let's look at the many retirement savings options to make sure that you are taking advantage of tax deductions as well as providing ways for employees (and owners) to save for retirement.
- **Estimated tax payments** — Let's review estimated tax payments and assess any liquidity needs.

State PTE Tax Elections

Roughly 35 states now allow pass-through entities (PTEs) to elect to be taxed at the entity level to help their residents avoid the $10,000 limit on federal itemized deductions for state and local taxes known as the "SALT cap." Those PTE tax elections are much more complex than simply checking a box to make an election on a tax return. Although state PTE tax elections are meant to benefit the individual members, not all elections are alike, and they are not always advisable.

Before making an election, a PTE should model the net federal and state tax benefits and consequences to the PTE — for <u>every state</u> in which the PTE operates, as well as for each resident and nonresident member — to avoid potential unintended tax results. A thorough evaluation of whether to make a state PTE tax election (or elections) should be completed before the end of the year, modeling the net tax benefits or costs, as should a determination of timing elections, procedures, and other election requirements (e.g., owner consents, owner votes to authorize the election, and partnership or LLC operating agreement amendments). If those steps are completed ahead of time, then the table has been set to make the election in the days ahead.

When considering a state PTE tax election, one of the most important issues to evaluate is whether members who are nonresidents of the state for which the election is made can claim a tax credit for their share of the taxes paid by the PTE on their resident state income tax returns. If a state does not offer a tax credit for elective taxes paid by the PTE, then a PTE tax election could result in additional state tax burden that exceeds some members' federal itemized deduction benefit ($0.37 is less than $1.00). Therefore, as part of the pre-year-end evaluation and modeling exercise, PTEs should consider whether the election would result in members being precluded from claiming other state tax credits — which ordinarily would reduce their state income tax liability dollar for dollar — in order to receive federal tax deductions that are less valuable.

Sales/Use Taxes

Most U.S. states require a business to collect and remit sales and use taxes even if it has only economic, and no physical, presence. Remote sellers, software licensors, and other businesses that provide services or deliver their products to customers from a remote location must comply with state and local taxes.

Left unchecked, those state and local tax obligations — and the corresponding potential liability for tax, interest, and penalties — will grow. Moreover, neglecting your sales and use tax obligations could result in a lost opportunity to pass the sales and use tax burden to customers as intended by state tax laws.

A company could very well experience material sales and use tax obligations resulting from a sale, even though the transaction or reorganization is tax-free for federal income tax purposes. To avoid any material issues, several steps should be taken:

- Determine nexus and filing obligations;
- Evaluate product and service taxability;
- Quantify potential tax exposure;
- Mitigate and disclose historical tax liabilities;
- Consider implementing a sales tax system; and
- Maintain sales tax compliance.

There are 50 states and thousands of local taxing jurisdictions that impose multiple different tax types. Ensuring that your company is in compliance with those state and local taxes — and only paying the amount of tax legally owed — can help reduce your total tax liability. As a taxpayer, it is more efficient to be proactive, rather than reactive, when it comes to state and local taxes. Being proactive will help identify issues and solutions that can be applied to other taxing jurisdictions, as well as helping limit audits, notices, penalties, and interest.

Utilizing Qualified Retirement Plan Enhancements to Improve Recruitment, Retention, and Employee Satisfaction

The SECURE 2.0 ACT of 2020 introduced over 90 changes to the federal rules governing workplace retirement plans. Many of the changes introduced by SECURE 2.0 are beneficial to employees and up to the discretion of the plan sponsor. Adopting some of these employee-favorable provisions might reassure employees that they can access their savings if needed before retirement, leading to overall increased employee savings and increased employee satisfaction.

Further guidance on many of the new provisions is needed, but every employer, whether for-profit or tax-exempt, that currently maintains a qualified retirement plan or is considering a future plan should evaluate their compliance with mandatory provisions and the cost benefit of adopting some of the many employee-friendly optional provisions.

After the provisions to be adopted are narrowed down, any necessary operational changes that require systems or processes updates can be identified. Written amendments to the plan document to reflect the implemented changes are not required until the end of the plan year beginning in 2025. Government employers have until the end of their 2027 plan year to amend the plan document.

Changes Effective December 29, 2022

- SECURE 2.0 allows de minimis financial benefits, such as low-value gift cards, as incentives to encourage employees to elect to contribute to 401(k) and 403(b) plan. Prior to this change such incentives violated the IRS's "contingent benefit rule."
- Employers may allow plan participants to designate matching and nonelective contributions as Roth contributions.
- Plans or IRAs may allow affected participants additional access to retirement funds in the event of federally declared disasters that occur on or after January 26, 2021, by allowing penalty-free distributions up to $22,000 per disaster to affected participants, while spreading the income tax liability over three years if not repaid prior to the taxable date. Plans can also allow increased participant loans of $100,000 instead of the regular $50,000 loan limit for disasters that occur on or after January 26, 2022.
- Plan sponsors can rely on employees' self-certification that the employee has experienced a deemed hardship for purposes of taking a hardship withdrawal.
- Cash balance plans with variable interest crediting rates may use a projected "reasonable" interest crediting rate that does not exceed 6%, thereby allowing credits that increase benefits for older, longer-service workers without risking failing the anti-backloading rules that otherwise may create problems for cash balance plans.
- The act allows 403(b) plans to invest in Collective Investment Trusts (CITs) in addition to mutual funds and/or annuity contracts.
- Employers with 100 or fewer employees earning at least $5,000 in annual compensation can receive a general tax credit of up to $500 for three years, if they make military spouses (1) eligible for defined contribution plan participation within two months of hire; (2) upon plan eligibility, are eligible for any match or non-elective contribution that they would have been otherwise eligible for at two years of service; and (3) 100% vested in employer contributions. The credit is equal to $200 per participating non-highly compensated military spouse, plus 100% of employer contributions made to the military spouse, up to $300. The credit is available for the year the military spouse is hired and the two succeeding taxable years. Employers may rely on the employee's certification that they are an eligible military spouse.
- Small employers are eligible for a plan start-up credit, effective for taxable years beginning after December 31, 2022. The start-up credit for adopting a workplace retirement plan increases from 50% to 100% of administrative costs for small employers with up to 50 employees. The credit remains 50% for employers with 51-100 employees. Employers with a defined contribution plan may also receive an additional credit based on the amount of employer contributions of up to $1,000 per employee. This additional credit phases out over five years for employers with 51-100 employees. The start-up credits are available for three years to employers that join an existing MEP, regardless of how long the plan has been in existence. The MEP rule is retroactively effective for taxable years beginning after December 31, 2019; therefore, plans that joined an MEP in 2020, 2021, or 2022 can file retroactively for this credit.

- SIMPLE and Simplified Employee Pensions (SEPs) can accept Roth contributions effective for taxable years beginning after December 31, 2022. In addition, employers can offer employees the ability to treat employee and employer SEP contributions as Roth contributions (in whole or in part).
- Employers of domestic employees (nannies, housekeepers, etc.) can provide retirement benefits for those employees under a SEP.

Changes Taking Effect in 2024

- Employers may treat an employee's qualified student loan payments as employee contributions to a 401(k) plan, 403(b) plan, governmental 457(b) plan, or SIMPLE IRA that is entitled to an employer matching contribution. For nondiscrimination testing of elective contributions, plans may separately test the employees who receive matching contributions on student loan repayments.
- Defined contribution plans may offer short-term emergency savings accounts to non-highly compensated employees. These accounts will be funded with employee after-tax Roth payroll deductions up to $2,500 (indexed for inflation). Employers may automatically enroll employees into these accounts at no more than 3% of their salary. Contributions are eligible to receive matching contributions. Participants can make up to one withdrawal per month. When employees terminate employment, they may take their emergency savings accounts as cash or roll them over into their new employer's Roth 401(k) plan (if any) or into a Roth IRA.
- Employers can retroactively amend a workplace retirement plan to increase participants' benefits for the prior plan year, so long as the amendment is adopted no later than the extended due date of the employer's federal income tax return for such prior year.
- The 10% penalty on early withdrawals before age 59 1/2 is waived for certain emergency expenses based on a participant's self-certification that they meet the necessary criteria.
- Employers that do not sponsor a workplace retirement plan may offer a new, safe harbor "starter" deferral-only plan that automatically enrolls employees at 3% to 15% of their compensation. The annual contribution limit is the same as for IRAs ($6,500, with an additional $1,000 for catch up contributions for employees who are age 50 or older. Starter plans are exempt from most nondiscrimination testing rules. This change is effective for plan years beginning after December 31, 2023.
- Employers may replace a SIMPLE IRA during the plan year with a SIMPLE 401(k) that requires mandatory employer contributions. Also, employers with SIMPLE plans may make additional employer contributions above the existing 2% of compensation or 3% of employee elective deferrals requirement. Additional employer contributions must be uniformly made and cannot exceed the lesser of 10% of compensation or $5,000 (indexed for inflation). In addition, the annual deferral limit and the catch-up contribution at age 50 is increased by 10% in the case of an employer with no more than 25 employees. An employer with 26 to 100 employees would be permitted to provide higher deferral limits, but only if the employer either provides a 4% matching contribution or a 3% employer contribution.

Changes Taking Effect in 2025

- A provision designed to increase retirement savings will be effective for 401(k) and 403(b) plans adopted after December 29, 2022, requiring employees to be automatically enrolled for minimum elective deferral contributions. However, participants can opt out of automatic enrollment or automatic escalation.

- Effective December 29, 2025, retirement plans can distribute up to $2,500 per year to pay for certain long-term care insurance premiums. Such distributions are exempt from the 10% early withdrawal penalty that might otherwise apply.

Qualified Plan Errors? Not a Problem.

The IRS has green-lighted the immediate use of most – but not all – expanded self-corrections for compliance failures involving tax-qualified retirement plans. This guidance – set out in IRS Notice 2023-43 – came out before an official update of the Employee Plans Compliance Resolution System (EPCRS).

IRS Notice 2023-43 set out a dozen questions and answers explaining what taxpayers can and cannot do until the IRS formally updates EPCRS. The notice provided taxpayers certainty and generally made self-correction easier and less expensive.

Which errors can be corrected and when?

SECURE 2.0 gives plans and IRAs an indefinite period to correct all "eligible inadvertent failures." Previously, significant qualification failures had to be corrected within three years after the failure occurred, although insignificant errors generally could be corrected at any time.

Even plans under IRS examination can self-correct if the taxpayer can demonstrate actions that demonstrate a specific commitment to self-correct. Whether such actions have been taken depends on facts and circumstances, but generally include proof that the plan is actively pursuing correction of the failure. The notice states that the mere completion of an annual compliance audit or a general statement of intent to correct failures is not sufficient. This is a different standard than that provided in Rev. Proc. 2021-30, which is intended to eliminate arguments over who found the error first.

The notice requires that any self-correction be completed "within a reasonable period of time after the failure was identified." Correcting failures within 18 months after discovery is deemed to be reasonable, except for employer eligibility failures. Those failures must be corrected no later than six months after the failure was discovered, but only if the employer stops all contributions to the plan as soon as practicable after discovering the failure.

Importantly, the notice confirms that qualification failures that happened before SECURE 2.0 was enacted on December 29, 2022, can be self-corrected under the expanded SECURE 2.0 relief. For corrections that were already made based on the expanded SECURE 2.0 relief from December 29, 2022 (the date SECURE 2.0 was enacted) through May 25, 2023 (the date the notice was released), the IRS will allow taxpayers to use a good faith, reasonable interpretation of the new SECURE 2.0 relief. Compliance with the notice is deemed to be reasonable, good faith compliance.

What is an eligible inadvertent failure?

An eligible inadvertent failure is a plan operational, document, or demographic failure that violates the IRC qualification requirements. The failure occurred despite the plan having regular practices and procedures for plan oversight and administration that satisfy existing EPCRS standards. It does not include any failure that is egregious, diverts or misuses plan assets, or directly or indirectly relates to an abusive tax avoidance transaction.

The notice lists failures that cannot be self-corrected until the IRS updates EPCRS, including:

- Failure to initially adopt a written plan;
- Correcting an operational failure by plan amendment that conforms the plan document to the plan's prior operations in a manner that is less favorable for a participant or beneficiary than the original plan terms;
- Significant failures in a terminated plan;
- Certain demographic failures;
- Failures in orphan (abandoned) plans;
- Employee stock ownership plan (ESOP) failures involving IRC Section 409;
- Excess contributions to a SEP or SIMPLE IRA that allows the excess to remain in the plan; and
- Failures in SEPs or SIMPLE IRAs that do not use the IRS model plan documents and even for model plans when excess contributions remain in the IRA account.

The notice immediately eliminated certain long-standing EPCRS requirements for self-correcting eligible inadvertent failures:

- A favorable IRS approval letter is no longer needed to use EPCRS;
- Plan loan failures can now be self-corrected without an IRS filing; and
- Significant failures, if they were inadvertent, can be self-corrected at any time (instead of only within three years after the plan year in which the error occurred).

A plan sponsor is not required to self-correct and may continue to submit VCP applications to the IRS even for failures that are eligible for self-correction.

Protect Against Late Filing Fees by Preparing for Upcoming Expanded Electronic Filing Requirement for 2023 Tax and Information Returns

The IRS finalized regulations in 2023 significantly expanding mandatory electronic filing of tax and information returns that require almost all returns filed on or after January 1, 2024, to be submitted to the IRS electronically instead of on paper.

Under the new rules, filers of 10 or more returns of any type for a calendar year generally will need to file electronically with the IRS. Previously, electronic filing was required if the filing was more than 250 returns of the same type for a calendar year. The new rules broadly apply to all types of returns, but the most urgent are common workplace IRS information forms, such as Form W-2 and 1099 filings, and employee benefit plan filings that are due early in 2024.

For many employers, simply doing the "same as last year" will not work.

Who is affected?

Practically all filers with the IRS of 10 or more information returns when counting any type, such as Forms W-2, Forms 1099, Affordable Care Act Forms 1094 and 1095, and Form 3921 (for incentive stock options) and other disclosure documents are impacted by this change this year – that is, for 2023 returns that will be filed in 2024. Even workplace retirement plans may need to file Form 1099-Rs (for benefit payments) and other forms electronically with the IRS starting in 2024, for the 2023 plan or calendar year.

Which returns are affected?

In addition to information returns, the new rules cover a broad variety of returns, including partnership returns, corporate income tax returns, unrelated business income tax returns, withholding tax returns for U.S.-source income of foreign persons, registration statements, disclosure statements, notifications, actuarial reports and certain excise tax returns.

How to count to 10?

A significant change introduced by the new regulations is that the 10-return threshold for mandatory electronic filing is determined on the aggregate number of different types of forms and returns. The aggregation rules are confusing because the filings included in the count change depending on which form the determination is made. Also, some filers must be aggregated with all entities within its controlled or affiliated service group to determine if 10 or more returns are being filed for the tax year. For instance, Form 5500 employee benefit plan filers (but not Form 8955-SSA employee benefit plan filers) must count the filings of the employer who is the "plan sponsor" and other entities in the employer's controlled and affiliated service group.

What can taxpayers do?

Any payers that currently file any returns on paper should consult with their tax advisor to determine if the new electronic filing requirements apply to them based on the number of returns they anticipate filing in 2024 for tax year 2023.

For the first time, filers must pay particular attention to the total number of returns across all return types, because the new electronic filing threshold is determined based on the aggregate total, not the number of returns per return type. This might require coordination between different departments within an organization and immediate consultation with the IT department and/or software provider to ensure there is adequate time to implement technology solutions or software upgrades before the 2024 filing deadline.

The IRS's new -- and free -- online portal for filing these returns electronically, Information Returns Intake System (IRIS), is especially helpful for small filers dealing with electronic filing for the first time. According to the IRS, IRIS is secure, accurate, and does not require any special software. This free service is available to filers of any size.

Forms 1094, 1095, 1099, and 5498. Forms 1094 and 1095 series (Affordable Care Act coverage reporting), Form 1099 series (including 1099-R for retirement plan benefit payments) and Form 5498 Series (for IRA contributions) required to be filed after December 31, 2023, must be filed electronically if the filer is required to file 10 or more "specified information returns" during the calendar year that includes the first day of the plan year.

What are the counting rules for each form?

When determining whether a filer for a retirement plan's Forms 1099-R must file those forms electronically, the filer would count only its "specified information returns" (like Forms W-2, 1099 series, 1094 series, and 1095 series). The requirement to include filings by entities in the sponsor's controlled or affiliated group applies only to electronic filing of the plan's Form 5500.

What about corrected returns? Generally, if an original return is required to be filed electronically, any corrected return corresponding to that original return must also be filed electronically. If an original return is permitted to be filed on paper and is filed on paper, any corrected return corresponding to that original return must be filed on paper.

Are there any waivers or exemptions?

Filers that are required to file fewer than 10 returns during the calendar year when counting all types may use IRS paper forms, but only if the paper form is machine-readable.

In cases of undue hardship, the IRS may waive the mandatory electronic filing requirement. The main factor in determining hardship is the amount, if any, by which the cost of electronic filing exceeds the cost of paper filing. Religious waivers will also be considered. Waiver requests must be made in accordance with applicable IRS revenue procedures and must specify the type of filing and the period to which it applies. Electronic filing is also generally waived if the IRS's system does not support it for a particular form or situation.

What are the penalties for non-compliance?

A failure to file in the required manner (for example, electronically or on machine-readable paper forms) is considered a failure to file. The penalties differ based on the type of return. For information returns, such as Forms W-2 and Form 1099 series, the penalty under Internal Revenue Code Section 6721 would apply, which is up to $310 per information return (for 2023 information returns required to be filed in 2024) with an annual maximum penalty of $3,783,000 ($1,891,500 for small businesses with annual gross receipts of no more than $5 million). Penalty amounts are indexed and change annually.

Update Remote Work Policies to Balance Current Employee Demand and Risk Environment

Many employees now expect the flexibility allowed during the COVID-19 pandemic to continue. Given the high demand for talent and the need to remain competitive, businesses may be willing to stretch historical policies to attract and retain resources. Setting precedent with policy exceptions not fully vetted can quickly create issues that are not only difficult to correct but can also be costly for the company and employee.

Allowing even one employee to work remotely for a short period of time can come with a high price tag, including the need to perform a permanent establishment (PE) review to determine if corporate nexus is established by having an employee in their desired location. If a PE is established, the requirements likely waterfall into registration, reporting of compensation, and tax withholding/remittance issues.

The exceptions that were made under the COVID emergency with the expectation that they would be temporary should be thoroughly reevaluated now before being permanently adopted. Guidelines should be put in place to help the organization understand potential obligations prior to approving employees' requests to change their work location to, for example, work from their personal residence or from a remote location different from the employer's geographic location.

The risks and complexities that come with remote work arrangements aren't new, but the monetary cost is magnified due to the number of employees taking advantage of this flexibility. Tax authorities are under pressure to find revenue, and remote workers provide an opportunity to identify potential tax exposures.

Operating under the radar is not a prudent approach for businesses. A proactive approach that develops a remote worker policy that mitigates risk and aligns with overall business objectives is advised.

How to Create a Remote Worker Policy

- **Step 1: Build a team and identify the stakeholders.**

  The first step in developing a remote worker policy is to identify all parties that will need to be involved. This includes key leadership, who will need to buy into the policy and understand the complexities and potential exposures. It also includes those who will develop the plan and be knowledgeable to address and own several facets of mobility -- human resources, information technology/security, legal, and tax departments.

- **Step 2: Define the objectives and parameters of the policy.**

  After the team is developed, the next step is to bring everyone together and brainstorm ideas of what they want to accomplish, keeping in mind the importance of in-person work to develop relationships and a culture including tight-knit teams balanced by the benefit of removing the geographic limitation on your eligible candidate pool.

  The wish list will likely need to be narrowed to create a framework for the policy because not everything can be accomplished. While it's possible to have more than one policy for different employee populations, it's important that there be only one version to avoid the company being called to task for internal inequities. This policy will need to evolve to meet the changing needs of the organization and its workforce.

- **Step 3: Develop a method to collect data.**

  The key to successfully managing the risks of a remote workforce is to identify and track where employees are working. There are a few ways to accomplish this, including surveys that ask employees to self-report, time sheets to match time worked with location, software to track employee travel, and IP tracing on company-issued laptops and equipment (which may have privacy implications that should be reviewed by the legal department).

- **Step 4: Communicate, implement, and refine**

  The final step is implementation. Employee education and communication is key. Businesses need to make clear to employees why the policy is important. Down the road this can help employees understand their role in ensuring compliance and why a request may be denied. HR and company leadership will be integral to change management. Once the policy is put in place, it becomes the employees' responsibility to follow it, so determining when to make this obligation an employee responsibility is important. Has everyone been made aware? Have they been given an opportunity to ask questions? Is there a system in place for employees to acknowledge that they received and understand the policy?

While remote work can be a great benefit for employees, businesses should consider the cost of remaining compliant with obligations created by remote working arrangements. When new employee requests are received, the approval process must be streamlined and concrete. Making adjustments retroactively can expose an organization to unnecessary costs and penalties. Lastly, businesses should have a check-in process to review performance and make sure the policy continues to align with the organization's direction.

Year-end Planning Equals Fewer Surprises

Whether it's working toward a tax-optimized business succession plan or getting answers to your tax and financial planning questions, we're here for you. As always, planning ahead can help you minimize your tax bill and position you for greater success.