



News, information, perspectives for small business clients, owners and managers of Nagel CPAs, LLC.

**We're
Hiring!**

We are currently seeking to fill three positions:

- *Mid-Level Tax Manager
- *Director of Tax Planning and Compliance
- *Full Charge Bookkeeper

Follow the link to our website for complete job descriptions. Please email resumes with a cover letter to rlamar@nagelcpa.us

What a difference 14 years can make...

During the Great Recession of 2008 – 2010, we saw a number of new businesses that began “accidentally.”

New business start-ups during that time were often the result of a lay-off or some other form of “reduction in force.” Some workers were simply told their job was no longer necessary or available, but they could become an independent contractor and serve their former employer as needed.

Many workers came to us unprepared for self-employment and needed much help with little or no startup capital. They had been forced to become “accidental business owners.”

That has not been the case since 2019.

The relative prosperity of the past decade and the growth in the stock market has created a “wealth effect” that has encouraged many new, small startup businesses. In fact, some experts imply that the Great Resignation is the direct result of this prosperity and a newfound desire for freedom and flexibility.

So, “Internet businesses” were born, as were new “Work from Home” schemes as well as the “Side Hustle.”

Like 2008, many of these new entrepreneurs are unprepared and overly optimistic. A few paying customers do not make a sustainable business. Fixed overhead for the startup is often the killer.

One aspect of fixed overhead often overlooked by new business owners is the aspect of all tax compliance other than income tax. I’m referring to things like Gross Receipts Tax and Self Employment Tax, Property taxes on Business assets, and all sorts of other compliance requirements much of which is unknown to those who have not “been there and done that.”

The new 1099K rules are a great example of hidden compliance requirements. [Click here](#) to learn more from my recent article published this month in the Rio Rancho Observer.

What to expect from Washington in 2022...

COVID Relief

With the settling of the Omicron variant and lower incidents of the virus spread economic relief is coming to an end. Review this year's tax returns to learn what benefits are not likely to repeat next year, so you can adjust your spending, investing, and withholding accordingly.

Government Services

While many local IRS offices have reopened, service levels are unacceptably poor. The additional IRS funding levels proposed in the Build Back Better Plan have not yet passed Congress and the IRS struggles to work through a backlog of unprocessed returns, assessments, and refund claims. Annoying inquiry letters may diminish temporarily, only to reconvene later. [Click here](#) for recent notifications on changes to the automated collection system.

If you receive a notice that is incorrect (most are) call us for tips on how to resolve them efficiently, after April 15.

Inflation

Inflationary pressures resulting from the massive spending programs, especially direct payments to taxpayers, will result in higher interest. Supply chain delays will continue for several quarters with little effective legislative attention. The invasion of Ukraine by Russia will also increase inflationary pressure. For current insight on the impact of war on investments and the recent market corrections [click here](#).

Pending Regulations and initiatives to watch out for:

Forms K-2 and K-3 for pass-through entities (Partnerships and S-corporations) will return after an emergency deferral was granted for 2021. These rules will increase compliance costs for entities and owners with Foreign investments, Foreign income, Foreign tax paid and/or Foreign Tax credit. If your Form 1040 has had a Form 1116 attached this will affect you.

Taxpayer Basis

Partner and shareholder basis rules will be refined and tested in the near future. This will affect the ability to deduct business losses. More importantly, a taxpayer's basis is a direct determinant of long-term capital gain when a capital asset (e.g., real estate or a business interest) is sold. It is advisable to reconstruct historical data and keep these basis calculations current until that asset is sold.

Crypto Currency

Failure to maintain sufficient records to report and pay tax on gains from trading in virtual currency will become more easily detectable and taxed with high rates of penalties, including unprecedented criminal prosecution. [Click here](#) for recent information on new voluntary disclosure of previously unreported virtual currency transactions.

Roger C. Nagel, CPA/PFS, CMA, CGMA

If you know someone that would benefit from the information provided in these newsletters please contact rlamar@nagelcpa.us, or call 505-898-2558 to add them to our subscriber list.



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