



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

We're Hiring!

We are currently accepting appointments for interviews after tax season for:

[*Director of Tax Planning and Compliance](#)

[*Mid-Level Tax Manager](#)

Follow the links above to our website for complete job descriptions.

Please email resumes with a cover letter to rlamar@nagelcpa.us

What about PTE's?

There has been much written in the financial press recently on items affecting Pass Through Entities (PTE's). Of course, this is simply a new acronym for all non-taxpaying commercial entities whose taxable income is reported directly on the owner's personal tax returns.

Think of Partnerships and S-Corporations. If your business files a form 1065 or form 1120S, then it is a PTE.

New Mexico is one of a minority of states that recently passed provisions for PTEs to pay the New Mexico tax for its owners. The IRS has followed by allowing that deduction on the tax return of the PTE. That means the owner is no longer prevented from deducting state income tax due to the \$10,000 limit allowed on form Schedule A. This is a good thing. In theory.

There is little guidance on several mechanical questions. For example, must the tax have been paid by year end? No rules yet. Is there a difference between cash basis and accrual basis tax payers? Maybe. How do you determine the amount for the company to be paid? Depends. In multi-owner entities will pro rata share of net earnings be fair to all owners if one owner's State Income tax is disproportionately higher than the pro rata share of taxable income of that entity? Probably not.

Since this new provision was known only in the fourth quarter 2022, our firm has decided to adopt the provision selectively and cautiously, for now. Ask us directly how this may apply to your circumstances. The dollar magnitude of prior year's lost deductions on schedule A and your marginal income tax rate will be the determining factor in how we will advise to proceed.

More on Extensions...

This year most, if not all, PTE returns will be extended, automatically, well in advance of the March 15 deadline. This allows two benefits at no cost.

First, the process enables an automatic extension of time to file. That means we, collectively, will have more time to ask better questions, gather data, do the research, and/or wait for retroactive decisions coming from third parties that taxpayers do not control (i.e., Washington and Santa Fe, for starters.)

Since PTE's pay no tax, estimated tax calculations are not required.

Extended tax returns can be filed as soon as March 16. Many of them will be filed at that

time. We will prepare them for filing as we normally do, but hold off on electronic filing until March 16. In this way, we avoid the need for preparing amended returns should new information come to light before the September 15 deadline. If that happens, we then can make a simple modification to the original return and file a "Superseded" tax return, which the IRS and State of NM will accept as a priority over the formerly filed returns. This avoids the time, effort and expense of amending tax returns.

Call us if you have questions on how this may benefit you and your companies and owners.

Now accepting new requests for post-tax season special projects.

For the first time in three years, we now have resources and time to consider non-tax special projects. As an advisor for all clients, these projects have historically taken many forms and vary in subject matter and complexity.

Our favorite special projects include *cash flow and net profit projections*, especially when new, speculative, activities are being considered. Remember, some of our best talent lies in investigative skills like analysis of historical data, research into industry and economic data, and deep direct inquiry that will help you develop the issues to consider in your next new venture. We are not simply historians but have experience in developing and documenting valid assumptions about cause and effect of future anticipated activities. Then we can monitor historical results.

Let us know what's on your mind for this year and beyond. We are eager to help.

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

Nagel on Finances

Are you confident in your accounting? Read the linked article to see how good accounting can be beneficial to your business.

How do CPAs communicate complicated concepts to clients in a way that is easily comprehensible?

From numbers to narrative: How CPAs can tell stories with data

Students need financial literacy as a graduation requirement

"It's time for New Mexico to join the other 32 states that make financial literacy a graduation requirement."

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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