

Auditing and Accounting
Business Management
Consulting
Business Strategies for
Taxes and Succession
Planning
Business Valuations
Cafeteria Plan Design
and Administration
Employee Benefit Plan
Services
Financial Planning
Payroll Management
QuickBooks Support
Tax Preparation

FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Tax Credits and the Inflation Reduction Act of 2022

The Inflation Reduction Act of 2022 expanded some popular tax credits for energy efficiency improvements made to a personal residence.

The Act retroactively revives and extends the residential energy property credit through 2032. For 2022, the credit retains the same provisions that existed in 2021. Then for 2023 through 2032, the Act increases the credit from 10% to 30% for the sum of amounts paid for qualified energy efficiency improvements and residential energy property expenditures. The credit further increases, in an amount up to \$150, for amounts paid for a home energy audit.

The Act makes other significant changes to the credit by repealing the lifetime credit limit and implementing a yearly limit of \$1,200 per taxpayer per year. A higher \$2,000 annual limit applies for amounts paid to implement certain heat pumps, heat pump water heaters and biomass stoves and boilers. Specific credit limits apply to specific property. For example, a \$600 limit applies to credits derived from windows and skylights and a \$250 limit applies to each door, with the total credit for all exterior doors limited to \$500. The Act expands the definition of eligible property to include

property that is “used as a residence by the taxpayer” (i.e., vacation homes).

The Act extends and expands the residential energy efficient property (REEP) credit, which is renamed the “Residential Clean Energy Credit.” The credit was supposed to be 26% for 2022 and 22% for 2023. The credit, available to taxpayers who install solar electric, solar hot water, fuel cell, small wind energy, geothermal heat pump and biomass fuel property in their homes, is now available through 2034. The Act also expands the credit to include qualified battery storage technology expenditures beginning in 2023. The applicable credit rates are 26% for property placed in service before January 1, 2022 and 30% for property placed in service after December 31, 2021 and before January 1, 2033.



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Planning Considerations for Small Business Owners

Small business owners have unique financial challenges. The number of small business owners in the United States totals more than 32.5 million;¹ however, studies show these

individuals often lack the financial guidance they need.

CONSIDER THE FOLLOWING

- Nearly 60% of business owners who are baby boomers do not have a succession plan.²
- Many business owners have 80% or more of their personal assets tied up in their businesses.³
- Only 49% of business owners have performed a business valuation.⁴

It is important for small business owners to understand how their personal and business finances are interlinked and how challenges or shortfalls within one area may be reflected in the other. As a business owner is developing his or her long-term plan, we believe it is important to address the following issues.

LONG-TERM BUSINESS PLANNING

It is important that business owners develop a mid- to long-term vision and plan for their business. Often, a good starting point is to conduct a SWOT analysis to identify the business's strengths, weaknesses, opportunities and threats. By taking an objective look at your business through the lens of the SWOT, you may be able to identify differentiators that could lead to future success, as well as risks that should be addressed.

Depending on where you are in the life of your business, you may also consider engaging us to help with succession planning, valuation and/or financing options. It can be especially beneficial to work with an advisor who has this type of experience in-house, as this can potentially lower fees and help ensure collaboration across all areas of your long-term plan.

RETIREMENT PLANNING

While many employees of corporate America are secure in the knowledge that their employer provides a 401(k) plan to help them save for retirement, many small business owners neglect to develop a retirement saving plan of

their own. The first step is to design a long-term personal retirement plan. The benefits of creating such a plan include helping the business owner:

- Define “retirement” and his or her retirement goals.
- Understand cash flow needs today and what they may be in the future.
- Understand the importance of saving outside of the business.
- Plan for a future business transition.

There are several options available to help small business owners save for retirement, including Simple, SEP, 401(k) and defined benefit plans.

ESTATE PLANNING

Estate planning is especially important for family-owned businesses. There are several important issues a business owner should consider when planning his or her estate, including developing a plan to smoothly transition the business from one generation to the next and addressing any liquidity issues that may impact the transition.

In addition, it is important to review any existing estate planning documents, such as wills and trusts, to ensure they address the transition of not only personal assets, but business assets as well.

TAX

There are often significant opportunities available to business owners to reduce their tax liabilities. It is wise to



begin the tax evaluation by reviewing the business structure (sole proprietorship, LLC, S Corporation, C Corporation, etc.) for potential improvements. Also, consider developing a tax advantaged investment strategy to help ensure your investments are as tax efficient as possible.

INSURANCE

As you plan for future opportunities, don't forget to address future (and current) risks. Ensuring adequate levels of insurance coverage is a key component to the long-term success of any business. It is important to analyze coverages for each of the following: life, key person, buy/sell agreements, disability, umbrella, business insurance (workers' compensation and other commercial lines) and long-term care.

YOUR PARTNER IN SMALL BUSINESS PLANNING

Hogan - Hansen, P.C. partners with Mariner Wealth Advisors to bring expertise and engaged professionals to offer a full spectrum of wealth management and financial planning services to our clients. We understand the challenges faced by business owners. We specialize in addressing each of the planning considerations mentioned above as we create long-term plans to help our business owner clients grow and protect their businesses, mitigate risk and establish transition plans. Our services for business owners include:

- Investment banking, valuation, forensic accounting and business advisory services.
- Tax consulting and preparation, including creative tax analysis and year-round planning strategies to help ensure efficiency in the business's tax plan and compliance.
- Trust, estate and multi-generational planning services to help plan for the next generation of business leaders.
- Cash flow and underwriting services through a captive management solution.
- Tax-efficient investment strategies based on a combination of proven investment techniques and a deep understanding of the current market environment.
- Retirement plan design and consulting services.



- 1 Advocacy Releases 2021 Small Business Profiles For The States. (<https://advocacy.sba.gov/2021/08/31/advocacy-releases-2021-small-business-profiles-for-the-states/>)
- 2 Business Succession Planning in the Era of Baby Boomer Retirement. (<https://www.hadleycapital.com/insights/managing-a-small-business/business-succession-planning>)
- 3 Warning! Your Business Is Not a Retirement Fund! (<https://www.kiplinger.com/business/small-business/entrepreneurship/603901/warning-your-business-is-not-a-retirement-fund>)
- 4 Wilmington Trust Survey Reveals Vast Majority of Business Owners Unprepared to Sell Business or Transition. (<http://news.wilmingtontrust.com/wilmington-trust-survey-reveals-vast-majority-of-business-owners-unprepared-to-sell-business.htm>)

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Are you Looking to Outsource your Payroll Processing?

Payroll can be one of the more challenging aspects of running a business. Our professionals can process your payroll from start to finish. We can provide direct deposit service for your employees' pay checks and can take care of remitting your tax deposits, retirement plan withholding, garnishments and other deductions from the employees' pay checks. We provide full reporting for you to record the payroll to your books and prepare all necessary federal and state payroll tax returns and year-end W-2 forms. Our payroll expertise extends to all states within the United States.

We also offer Employee Self-Service, which eliminates the need for you to print paper check stubs. Through their own personal, private portals, employees can view pay-check stubs, W-2 forms and update their W-4 information anytime, anywhere, even from mobile devices. Please contact us for more information.

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NOTABLE QUOTES

**Not all of us can do
great things. But we
can do small things
with great love.**

- MOTHER TERESA

**The trees are about to
show us how lovely it
is to let things go.**

- UNKNOWN

***I would rather sit on a
pumpkin and have it all to
myself than be crowded
on a velvet cushion.***

- HENRY DAVID THOREAU

**Age is an issue
of mind over
matter. If you
don't mind, it
doesn't matter.**

- MARK TWAIN

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.

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