



Stop Leaving Money on the Table
GMTA Leadership Conference

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Speakers



Chris Arnone, Partner

Chris Arnone, CPA, is a Partner and the Business Assurance Practice Leader at Moore Colson. Chris has extensive experience in serving companies in the transportation, manufacturing, distribution, staffing, private equity and venture capital industries. In addition to assurance and accounting services, Chris provides expertise in mergers and acquisition due diligence and employee benefit plan audits.



Steven Murphy, Partner

Steven Murphy, CPA, is a Partner in Moore Colson's Tax Practice and the Transportation Practice Leader. Steven provides tax services for clients, planning and organizing engagements, managing the progress of work, maintaining and expanding good client relations, suggesting and implementing tax planning ideas, performing research, and supervising staff.

Who is Moore Colson?

- One of the largest accounting and advisory firms in the U.S.
- Founded in 1981
- Over 170 employees
- Located in Atlanta, Georgia
- 25 partners
- Five practice areas
- 125+ services across 15+ industries including Transportation



Agenda

- Recent and Pending legislation – Inflation Reduction Act / Secure Act / Lame Duck Session
- Upcoming Changes from Tax Cuts and Job Act
- Pass-through entities - State Tax change (S-Corps and Partnerships)
- 2022 Tax Planning Ideas
 - Business
 - Personal
- Tax and Planning Considerations – Exit Strategies
- Other Relevant Industry Topics

Recent and Pending Legislation

- Inflation Reduction Act
 - Main revenue raisers will affect large, public companies related to:
 - Alternative Minimum Tax (AMT) on book net income for companies with over \$1.0B in revenues
 - Excise taxes on stock repurchases
 - Expanded 179D tax deduction for new buildings and tenant improvements that meet must meet or exceed certain energy reduction requirements from \$1.88/sf to \$5.00sf of building area
 - Section 45W Commercial EV Tax Credit equal up to 30% of cost or difference between clean vehicle cost and gas-powered counterpart:
 - The provision is subject to a series of limits:
 - \$7,500 cap for vehicles lighter than 14,000 lbs (Class 1-3)
 - \$40,000 cap for vehicles heavier than 14,000 lbs (Class 4-8)
 - Reduced credit of 15% for vehicles powered by an internal combustion engine.

Recent and Pending Legislation

- Inflation Reduction Act (continued)
 - Section 30c Alternative Fuel Vehicle Refueling Infrastructure Tax Credit
 - Up to 30% credit capped at \$100,000 per charger
 - More regulations needed regarding definition of prevailing wage
- Secure Act 2.0 by December 31, 2022?
 - Appears to have support from both parties
 - Could feature:
 - Auto enrollment in 401(k) retirement plans
 - Push back the requirement of required minimum distributions (RMD's) from age 72 to age 75
 - Allow for additional catch-up contributions for retirement plans
 - Allow employees making student loan payments to be eligible for employer matching contributions

Recent and Pending Legislation

- Lame Duck Session – Who knows after current election results
 - Bonus Depreciation continued at 100% instead of 20% reduction over next several years?
 - Continuation of 100% deductible meals?
 - Removal of R&D Credit capitalization rules beginning in 2022?
 - Section 163(j) - adjustment allowing for depreciation, amortization?

Upcoming Changes from Tax Cuts and Job Act

- Be aware of certain items from the TCJA that are changing:
 - Research & Development costs must now be capitalized and amortized.
 - Bonus Depreciation:
 - 100% for 2022
 - 2023 – 2026 will decline 20% each year
 - Consider maximization of bonus depreciation in current year
 - Interest Expense:
 - Beginning 1/1/2022, the amount of interest expense that can be deducted each year may be more limited due to new calculations. If you do not meet small business exemption, then no longer an addback for depreciation and amortization.

State Tax Deductions for Pass-Through Entities

1. One of the negative impacts of the TCJA was to limit the deduction on your personal tax returns to a maximum of \$10,000 per year.
2. Beginning this year, many states including Georgia have provided a provision for pass-through entities (S-Corporations and Partnerships) to treat state income taxes paid by the Company on behalf of owners to be deducted on the Company's state tax return.
3. This provision could provide for significant savings for business owners.
4. For trucking and transportation companies that file state tax returns in numerous states, further analysis of the benefits should be performed.

State Tax Deductions for Pass-Through Entities

Old Method		New Method	
Federal Tax Liability:		Federal Tax Liability:	
Pass-through Income Allocated to Partner	750,000	Pass-through Income Allocated to Partner	710,851
Itemized Deductions	(30,000)	Itemized Deductions	(30,000)
Fed - Taxable Income	720,000	Fed - Taxable Income	680,851
	35%		35%
Fed Tax Liability Paid Personally	252,000	Fed Tax Liability Paid Personally	238,298
Georgia Tax Liability:		Georgia Tax Liability:	
Fed - Taxable Income	720,000	Fed - Taxable Income*	680,851
	5.75%	Less: GA Income Exclusion	(680,850)
GA Tax Liability Paid Personally	41,400	GA Taxable Income -	1
Total Tax	293,400	PHRD Income	750,000
		GA Apportionment	91%
		GA Taxable Income	680,850
			5.75%
		GA Tax Liability Paid by PHRD	39,149
		Total Tax	277,448
		Overall Tax Savings	15,952

Business Tax Planning Strategies for 2022

1. Explore the State Pass-Through Tax Election – Make Payment by December 31st
2. Plan Equipment Purchases prior to December 31st
 - Maximize bonus depreciation as well as Section 179 expense in 2022
 - Lack of equipment availability may require additional planning
3. Consider electing the Cash Basis of accounting for tax reporting purposes.
 - Many trucking and transportation companies are already taking advantage of this to defer their tax burden.
 - Utilize the Cash Basis to:
 - Prepay expenses prior to year-end. Consider items such as insurance, fuel, or other operating expenses.
 - Defer the receipt of customer payments, equipment sales, or related items.

Business Tax Planning Strategies for 2022

4. If you are an Accrual Basis taxpayer for income tax purposes, consider making a change in accounting method to expense prepaid expenses.
 - i. One-time election
5. Ensure Accrued Bonuses as of December 31, 2022 are paid by March 15, 2023 so they can be deducted on your 2022 tax return.
6. Maximize Federal and State Tax Credits:
 - i. Federal – Work Opportunity Tax Credit and Research & Development Tax Credit
 - ii. Georgia – Retraining Credit, Job Tax Credits
 - iii. Employee Retention Credit – beware of “mills” trying to sell you on ERC credits you are not eligible for! IRS is cracking down on these.

Business Tax Planning Strategies for 2022

7. Maximize your Qualified Business Income (QBI) Deduction
 - 20% write-off for pass-through entities.
 - Based on Company's payroll and fixed assets.
8. Equipment Sales – many companies have sold used tractors and trailers to realize gains in these unprecedented equipment markets.
 - Determine your taxable gain to avoid surprises at year-end.
 - If you have a capital gain (sales price exceeds original purchase price), consider offsetting capital gains with capital losses in your business or personal stock portfolio, if possible.

Personal Tax Planning Strategies for 2022

1. Explore harvesting losses in your stock portfolio to offset any capital gains for investments or equipment sales, if applicable.
2. Maximize contributions to 401(k) and other retirement plans
3. Maximize contributions to HSA plans and utilize remaining fund by December 31st
4. Bunch charitable contributions to maximize itemized deductions and/or lower tax rates
 - Donor-advised funds
 - Donation of stock to charity – fair market value deduction so only sell stocks with gains
5. Make January 2023 mortgage payment in December 2022 for additional interest deduction

Personal Tax Planning Strategies for 2022

6. Purchase Federal or State Tax Credits to pay a portion of your 2022 tax liability
 - Settle \$1 of tax liability for approximately \$.90 - \$.95.
 - These credits are little or no risk.
 - Georgia Film Credits have been in high demand but low quantity – secure asap.
7. Maximize your Georgia 529 Plan (or the state you live in) - \$8,000 maximum deduction in Georgia per dependent.
8. Annual and Estate plan gifting
 - Will not reduce your lifetime exclusion if less than \$16,000 per person for 2022.
 - 529 Plan gifting – may be able to front-load via a 5-year gift executed in year 1.
 - Good time is during market downturns.

Exit Strategies – Tax and Planning Considerations

1. Mergers, acquisitions, and ownership transfer to the next generation in this industry may be at an all-time high.
2. Your business is likely your most valuable asset, making its sale or transfer the biggest tax event of your life.
3. If there is a chance this could be on your horizon, consider:
 - Performing an after-tax and debt net proceeds analysis to ensure it meets your expectations.
 - Elevating the quality of your internal financial statements.
 - GAAP vs. Cash or Tax Basis
 - Compilations vs. a Review or Audit by a CPA firm
 - Performing a “sell-side” quality of earnings analysis to determine normalized cash flow (EBITDA) and capex needs.
 - Identifying non-recurring income and expenses as well as non-business expenses paid by the Company.

Exit Strategies – Tax and Planning Considerations

3. If there is a chance this could be on your horizon, consider (continued):
 - Analyzing impact of updating related party lease agreements and compensation to market rates.
 - Analyzing your fleet for old or excess equipment
 - Strategic buyers may haircut your business for an older fleet.
 - You may not receive adequate value for excess equipment, potentially better to sell in this used equipment market.
 - Revisit your trust and estate plan, which can reduce or defer tax on a sale and your estate.
 - Ideally, structuring is in place before any letter of intent (“LOI”).
 - This will avoid scrutiny as well as concerns from a potential buyer.
 - For estate tax purposes, the individual exclusion is currently \$12.0 million but is scheduled to go back down to \$5.0 million on December 31, 2025.
 - Identify individual or corporate trustees ahead of time, have documents ready to go prior to entertaining a sale or transfer and before the 2025 scheduled reduction in the annual exclusion.

Other Relevant Industry Topics

1. One positive to inflation is updated indexed tax rates for 2023
 - Highest tax bracket for 2022 Married Filing Jointly begins at \$539,900
 - Highest tax bracket for 2023 Married Filing Jointly begins at \$578,125
2. Conservation Easement – Charitable Contribution updates:
 - Continued IRS scrutiny
 - Recent litigation results have led to a ruling of 75% of original value utilized, which is seen as a win for the partnership.
3. Lease Accounting – In Effect for 2022 GAAP Financial Statements
 - Ensure your accounting team has implemented or has a plan to by December 31.
 - Will result in increased assets and liabilities on your balance sheet for operating leases.
 - No effect on rent expense or cash flows
 - Banks and other lenders are working to understand and evaluating its impact, especially on financial statement covenants. So have the conversation early with your lenders.

Questions?



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