



CLIENTTELL

Vol. XXX | No. 2 Summer 2024 | Blackburn, Childers & Steagall, PLC Quarterly Newsletter

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TN FRANCHISE TAX PROPERTY MEASURE REPEAL

BY NATHAN HSIAO

On May 10, 2024, Governor Bill Lee signed Public Chapter 950 (2024), which eliminates the property measure from the franchise tax calculation. Specifically, Schedule G, also known as the “minimum measure,” is no longer applicable for tax years ending on or after January 1, 2024. Going forward, the franchise tax will be based solely on a taxpayer’s net worth, as reported on Schedule F. Prior to this change being enacted, the franchise tax was calculated based on the greater of the

>> **KEEP READING ON PAGE 2**

From left: Nick Clay (Managing Partner, BCSWM), Clay Hixson (President & CEO, FCTA), and Andy Hatfield (Managing Partner, BCS).

>> CONTINUED FROM COVER STORY

net worth (reported on Schedule F) or property value (reported on Schedule G) of the company. The new law eliminates the calculation reported on Schedule G. This change simplifies the franchise tax calculation for businesses, eliminating the need to track and value physical property and potentially reducing administrative burdens and costs.

Eligible taxpayers who paid franchise tax on the property measure using Schedule G for tax years ending on or after March 31, 2020 and filed returns with the department on or after January 1, 2021 are eligible for a refund. The amount of tax that may be refunded is the difference between the amount of franchise tax originally paid based on the Schedule G property measure and the amount of tax that would have been owed based on the Schedule F net worth for that year.

To claim the refund, taxpayers must amend their returns and submit the refund claim by November

30, 2024. The taxpayer must also accept two conditions when claiming a refund. First, the taxpayer must acknowledge that their name and the applicable range corresponding to the amount of their refund will be published on the department's website. Second, the taxpayer must waive all claims and rights of action in any court, state or federal, against the Tennessee Department of Revenue, Commissioner of Revenue, State of Tennessee, or its employees regarding the constitutional nature of the franchise tax. In addition to these acknowledgements, the taxpayer must submit a "Report of Debts" form, which attests to the existence of any debts related to the state of Tennessee, including state tax liabilities, child support, and others.

If you believe you are eligible to receive a refund or have further questions, please contact your tax advisor for further assistance. ♦

WEEK OF CARING

DAY 1: SALVATION ARMY

Our crew assembled snack bags, packed clothes, and organized donations that will support the Salvation Army's outreach efforts.



DAY 2: UETHDA

We pressure washed the exterior of the facility, weed eated, and cleaned the carpets, floors, and windows of the classrooms.



DAY 3: COALITION FOR KIDS

We refreshed and revitalized the facility with four new shades of paint to create a more inviting space for the children and staff.



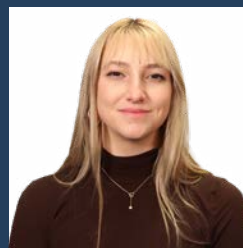
DAY 4: BOY SCOUTS

Our team prepared packets for the fall membership drive. These packets will be distributed to new families during upcoming recruitment campaigns.



Be on the lookout for the upcoming edition of the Business Journal. You will see some familiar faces planning out the big move to Gray next year!

WELCOME RECENT NEW HIRES!



MONICA FERGUSON
Audit Associate,
Johnson City



CAMERON PHILLIPS
Tax Senior Associate,
Johnson City

Changing Salary Requirements for Overtime Exempt Employees: A Proposal

BY STEPHEN BEVINS



Hello, summertime. The use of vacation days and sales of sunscreen are increasing, and so are minimum salary requirements.

The Department of Labor has announced a final rule for a new **minimum salary threshold** for exempt positions. Currently at \$35,568, annual minimums will increase to \$43,888 on July 1, 2024. Annual minimums will see an additional proposed increase to \$58,656 on January 1, 2025. After that, minimum salaries would automatically update every three years based on earnings. It is estimated that four million workers will be eligible for overtime pay if the proposed rule passes.

To qualify as “Exempt” an individual’s job position must meet the following three criteria:

1. A minimum salary threshold (some exceptions apply)
2. Payment on a salary basis as defined by the regulations (some exceptions apply)
3. A primary duty test that is specific to each exemption

YOU CAN PROACTIVELY PREPARE FOR THE PROPOSED RULE BY:

- Reviewing “white collar” exemption designations, which include:
 - Executive exemption
 - Administrative exemption
 - Learned professional exemption
 - Creative professional exemption
 - Computer exemption
 - Outside sales exemption
 - Highly-compensated employees
 - Combination exemption – performs a combination of exempt duties. When an employee performs

a combination of duties that fall under both exempt and non-exempt work, the employee’s “primary duty” will determine whether an overtime exemption applies. The primary duty must be the performance of exempt work in order for the minimum wage and overtime white-collar exemptions to apply.

- Reviewing all employees that may be included in the proposed **\$58,656** annual threshold.
- Creating time records to track overtime worked.
- Assessing the fiscal impact of increasing salaries that are currently under \$58,656
- Considering alternative pay plans
 - Fluctuating Workweek (Nonexempt salary plan with overtime at half the regular rate)
 - Commission Pay
 - Hourly rate with time and a half over 40 hours worked each week
- Using other federal partial exemptions from overtime
 - Retail Section 7(i)
 - Motor Carrier
 - Dealership

Upon the rule’s effect, some exempt employees may convert to nonexempt. Be sure to track their time, limit work outside the office, analyze the fiscal impact of overtime, and talk to them to ensure they understand the changes that are coming.

FAIR LABOR STANDARDS (FLSA) VIOLATIONS TO AVOID ARE:

- Misclassifying non-exempt employees as exempt. *Examples:*
 - “Managers” performing non-exempt work as a primary duty
 - Administrative employees non-exempt (Office managers, Accountants, Marketing personnel, IT technicians)
- Not calculating the regular rate of pay properly
- Improper pay deductions
- Misclassification of Independent Contractors

For more information, visit the U.S. Department of Labor website at www.dol.gov/agencies/whd/flsa.

Follow these guidelines so you can be in compliance, have peace of mind, and enjoy restful summer nights. ♦



Upcoming Changes to Single Audit Requirements in the form of Relief?



BY KEVIN PETERS

It is not often the standard setting bodies issue guidance which may provide relief. However, the Office of Management and Budget (OMB) recently issued guidance which could actually provide relief related to applicability of the Single Audit Act.

The Single Audit Act Amendment of 1996 was enacted to improve the effectiveness of audits of federal awards and helps federal agencies properly administer federal funds that are passed down to the state and local level. When Single Audit is applicable, the auditor is required to perform additional procedures, specific to grant funding and in particular to major grant programs. The auditor will issue an opinion on compliance. Given the additional testing by the auditor and the fact the auditor will be issuing an opinion on compliance, additional time and cost is involved.

Currently, any organization that expends more than \$750,000 of federal financial assistance is

subject to the provision of the Single Audit Act. Recently, OMB made a tweak to this dollar threshold. For fiscal years beginning on or after October 1, 2024, the threshold will be \$1,000,000 of expenditures of federal financial assistance. Thus, entities with a June 30, 2024 and 2025 fiscal year-ends will still be subject to the **\$750,000** threshold as relief will not be applicable until June 30, 2026 fiscal year-end. Calendar year end entities will be subject to the **\$1,000,000** threshold for their 12/31/2025 year-end.

Why did OMB increase the threshold? The reason is part of OMB’s overall goals to address administrative priorities, streamline operations and relieve burdens for agencies and recipients.

What do I need to do? If you currently are a recipient of federal grant funds, it is important you keep detailed, organized and accurate records. This includes accurate records of all grant expenses and timely reconciliation of your general ledger to the schedule of expenditure of federal awards. Make sure you are well versed in the terms and conditions of the grant contract including all areas of compliance. Be ready to demonstrate to your auditor your internal control and compliance. ♦



CLIENT FEATURE

SEI Construction

MORRISTOWN, TN



Q+A with KENNY NOAH

PRESIDENT OF SEI



Q. WHAT IS YOUR STORY? HOW DID YOU GET YOUR START?

A. Established in 2001, we were founded on several principles: transparency, quality at all times, adaptability, collaborative spirit, commitment to customer needs, and a relentless drive to be better. We believe in things that last: buildings, relationships, and reputations. We don't believe in shortcuts or excuses. Innovation matters, but we're old-fashioned about qualities like work ethic, keeping clients happy and doing what's right. That's the secret behind our hard-won relationships with clients and colleagues. These are the products of craftsmanship, hard work, and living up to commitments, year after year and job after job.

Today, we enjoy the long-term trust of clients around the country, built job after successful job, growing to \$130,000,000 a year in revenue. SEI is one of Costco Wholesale's premier General Contractors. We travel all over the country from east to west coast and have even worked in Canada and Puerto Rico. Our main Client is Costco Wholesale and in 2023 we were able to build 4 successful stores from the ground up along with other miscellaneous projects. You see we don't just do the big stuff, we do it all no matter how small. Our revenue growth over the last few years is a testament to the faith our clients have in us.

Q. WHAT ARE YOUR GOALS FOR THE FUTURE?

A. Retain our workforce by remaining a place employees can call home and expand our

workforce by being a place people want to work. We want SEI to be the last stop for our employees. People and our relationships with our clients come first but we would still love to see continued growth in our profits. The way we plan to do this is to continue to consistently provide the best service to our clients and go above and beyond to meet their every need.

Q. HOW HAS BCS HELPED YOU?

A. BCS has been a phenomenal help to SEI. Since our working relationship began in late 2023 BCS has been able to help us update our reviewed financial statements, file multiple returns in multiple states, and also help with the balance and reconciliation of our QuickBooks accounts. This has allowed our small but efficient office staff to operate even more efficiently. To be such a large company revenue wise SEI has a small corporate office staff and BCS has been instrumental in freeing up much needed time to accomplish other necessary task by taking over all of our accounting and tax needs. ♦





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& STEAGALL, PLC**

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PROJECT GRAY UPDATE

Exciting things are happening with Project Gray. The demo phase of our renovation project at the former Citi building in Gray is complete. We are now in the phase of finalizing the interior renovation plans and construction will start soon. We do not plan on occupying our new space until Spring of 2025. We will keep our clients and the community up to date as we continue through this journey, including any updates with our existing buildings in Johnson City and

Kingsport that are currently up for sale. Stay tuned!

Andy Hatfield, CPA
Managing Partner

