



CLIENTTELL

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ANNOUNCING OUR NEWEST PARTNER

BY ANDY HATFIELD

It is my honor and pleasure to announce Andy Clark as the newest BCS partner. Andy has been with the firm since 2009 and currently heads up the Tax Department. Along with showing outstanding leadership in his role at the Firm, he also exemplifies each of our four core values.

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He provides Premier Service to the many clients that he serves. Andy is a great problem solver, communicator, and approaches client service in a very proactive manner. With all he does serving BCS and his clients, he shows great Balance in his life by first finding time to be a great husband to his wife, Katie, and father to his five kids, all under the age of 12. His peers would say that Andy is a true team player and displays a We Before Me

attitude at the office and Andy is very active in his church and serves on the board of several organizations in the Johnson City community representing good Stewardship.

I speak on behalf of all existing BCS partners when I say we are truly blessed to have Andy Clark as part of the BCS family and honored to now call him Partner. We look forward to seeing how his career continues to evolve and flourish. ♦

WELCOME RECENT NEW HIRES!



**NICK
HILL**
Tax Supervisor,
Johnson City



**BRIAN
CRUTCHFIELD**
Tax Senior Associate,
Johnson City



**AARON
COUCH**
Tax Associate,
Johnson City



Be sure to check out our Willy Wonka tree in Founders Park. Over 150 local businesses decorated trees for Candyland Christmas in Downtown Johnson City.

Business Tax Law Changes

BY TERESA ADAMS



On May 11, 2023, Governor Bill Lee signed the Tennessee Works Act. It has been hailed as the single largest tax cut in state history providing over \$400 million in savings for Tennessee families and businesses. One of

the major changes we want to highlight is related to the city and county business license renewals each year. Under the old law, businesses with more than \$10,000 in gross receipts each year were required to have a standard business license, file an annual renewal, and pay the applicable tax due. Beginning in 2023, the Tennessee Works Act raised the threshold for a standard business license from \$10,000 to \$100,000 in gross receipts. This means that any businesses under \$100,000 are not required to have a standard business license. Instead, business with under \$100,000 in gross receipts can change their license to a “minimal activity license”. While a minimal activity license still requires an annual renewal at the local Clerk’s office, the renewal fee is a flat \$15. The Tennessee Department of Revenue has been pro-actively



sending out correspondence to businesses who may qualify for a minimal activity license under the new thresholds.

So, for our clients who may be under \$100,000 in gross receipts, you are probably asking “What do I need to do?”. Based on BCS’s correspondence with the Tennessee Department of Revenue, we advise our clients to pursue one of the two following options.

1. You (or BCS) can close your standard business license account and you can apply for a minimal activity license at the local County and/or City Clerk’s Office. Each year, you would renew your minimal activity license by going to the County and/or City Clerk’s office and pay the \$15 renewal fee. As of now, a minimal activity license renewal is not available in Tennessee’s online taxpayer

access portal, also known as TNTAP. We have found that some Clerk’s offices have an online renewal process, but not all. We believe more and more Clerk’s offices will move online in the coming years with this change.

2. You can choose to leave your standard business license open and BCS can continue to renew each year like we have in the past. The State has said businesses aren’t required to have a minimal activity license even if they qualify. You can continue to pay the standard business license minimums (\$22 for each county and/or city). ♦

Business Tax/Licensing – New Threshold



NEW THRESHOLD based on total gross per jurisdiction

Keys to Successful Inventory Management and Yearend Counts

BY KIM BUCKLES



If your company sells any sort of goods, you most likely have inventory, be it a small or niche stock that rolls over quickly or a large warehouse full of thousands of different types of items. Even if you have a service company, you likely have

an inventory of spare parts or supplies used in providing your services. No matter what your inventory consists of or how big it may be, you should be able to account for those items, and that begins with proper protocols in place to help you get there.

Design, implement, and maintain appropriate protocols and controls related to inventory management.

Procedures surrounding inventory control should be well-established to create a basis for which employees can work off of. Do some research to determine what types of systems may work best for the nature of the business and the inventory contents. When formulating controls, do not leave room for error or dishonesty. Consistent guidance is key for consistent results, so lead by example and make sure that expectations are clear, accessible, and easy to abide by. A key to setting effective and successful protocols is to monitor and update as needed to ensure they continue to fit the needs of the company.

Hire and train competent staff.

A team is only as strong as its weakest member, so strive to hire individuals that show initiative and eagerness, whether or not they have experience. Take the time to explain the protocols in place and how to succeed in completing assigned tasks. Allot time for questions and demonstrations to ensure each member understands what is asked of them. Allow space for suggestions from your staff in developing and updating processes since they are often the ones hands-on with each step. In training, make sure to create redundancy in skillsets to be prepared for a situation that may call for shifting roles, even in the oversight or management position.

Keep the warehouse, yard, or other storage space clean and organized.

You should have a system for identifying various inventory items, ie. stock codes, labels, location IDs. This system should be included in the development of your processes and should be used in keeping the inventory areas organized. Keep like items together to help in pulling for sale or use and to make routine counting easier. You should maintain cleanliness and clear, wide walkways among the inventory items and throughout the storage area to allow for ease of movement for employees; cleanliness will also preserve the integrity of the stock items.

Maintain up-to-date records.

There are two main types of overall inventory management systems: periodic and perpetual. The methods involved in each of these refers to the regularity of counts or adjustments to recorded quantities. Under a periodic system, counts are performed at regular intervals, ie. monthly, quarterly, semi-annually, and adjustments are made to the recorded quantities at that time. Under a perpetual system, counts are constantly adjusted as items are purchased or removed for sale or use; a physical count is still performed at least annually to reconcile quantities under this method. In using either method, you should maintain regularity in reconciliation of records to the physical counts.

Prepare and provide adequate documentation.

If your company is in a position that calls for inventory observations performed by an outside party, such as an annual audit or merger acquisition, reconcile and adjust your accounting system accordingly prior to the count by performing a physical count of each item recorded. Provide the full listing to the outside party prior to the predetermined date and time to allow preparation on their part. If possible, close down operations between your count and the observation, as well as during the observation. If you are unable to pause operations, keep detailed account of any items checked out for use or sale between your internal count and the observation.

Seek professional assistance.

Ultimately, if you run into issues or have any questions in any step of the process, reach out to a professional that can assist you, whether in a one-time consulting capacity or in an ongoing outsourced position. ♦

Why did the inventory manager bring a ladder to work? To reach new heights in inventory management.

Energy Efficient Home Improvement Credits



BY DEBBIE MANEY

The Inflation Reduction Act of 2022 (2022 Inflation Act) modifies and extends certain energy credits and creates new clean energy credits. This includes the nonbusiness energy property credit, renamed as the “energy efficient home improvement credit.” The energy efficient home improvement credit has been expanded to include the cost of home energy audits. In addition, the credit percentage amount was increased from 10 to 30 percent of costs, and the lifetime credit cap is replaced with annual credit limits.

Credit amount. The energy efficient home improvement credit amount is equal to 30 percent of the total amount that you pay or incur (subject to annual limitations), for tax years beginning after December 31, 2022, through December 31, 2032, for:

- qualified energy efficiency improvements installed during the year,
- residential energy property expenditures, and
- home energy audits.

Qualified energy improvements. Qualified energy improvements include an energy efficient building envelope component that meets certain energy conservation criteria. A building envelope component is defined as any insulation material or system which is designed to prevent heat loss or gain, exterior windows (including skylights), exterior doors, and any metal roof with either pigmented coating or cooling granules designed to reduce heat gain.

Qualified energy property. Qualified energy property is defined as energy efficient building property, a qualified electric or natural gas, propane, or oil furnace or hot water boilers, water heaters, heat pumps, qualified central air conditioners, and an advanced main air circulating fan that meets specific performance and quality standards.

Home energy audits. A home energy audit is an inspection and written report with respect to a home located in the United States that you own or use as a principal residence. The home energy audit must identify the most significant and cost-effective energy efficiency improvements, including an estimate of the energy and cost savings to each improvement. Additionally, the

home energy audit must be conducted and prepared by a home energy auditor that meets the certification or other requirements specified by the IRS.

Transition rule for 2023. A transition rule applies to home energy audits conducted during tax years ending after December 31, 2022, and on or before December 31, 2023. An audit during this transition period may qualify for the credit even if a certified home energy auditor does not conduct it. However, an audit conducted after December 31, 2023, will not qualify for the credit unless the auditor is certified.

Written report and tax credit substantiation. A home energy audit must include a written report prepared and signed by the qualified home energy auditor. You should keep the home energy audit report for credit support for your tax records for the residential energy credits. The maximum credit amount of the home energy audit is \$150. Therefore, you can claim a 30 percent credit on audits that cost up to \$500.

Although, this Act increased the maximum credit from \$500 to \$1,200 per year. Credit is capped at the lesser of 30% of your cost or \$1,200 total across all improvements (except heat pumps, which are separately capped at the lesser of 30% of your cost or \$2,000). You will need to deduct any rebates from utility companies or other manufacturer rebates to determine your total cost eligible for the credit.

Electric Vehicles credits for 2023 have changed as well. A credit is offered to taxpayers who purchase a qualifying electric vehicle or plug-in hybrids. The 2022 Inflation Act allows a maximum credit of \$7,500 for new EVs and up to \$4,000, limited to 30% of sales price, for used vehicles. This act also removed all manufacturer sales caps. This means certain vehicles like Tesla and GMC are eligible again for the credit. There are income limits to be eligible for the credit.

All credits mentioned in this article are non-refundable. This means the credit can lower your tax liability by the corresponding credit amount. However, you will not see any overage back in the form of a tax refund.

Feel free to contact our office if you have any questions and our tax professionals will be happy to assist you.

Merry Christmas and God's Blessings to Your Family.



Giving Back 2023





**“use
whatever gift
you have received
to serve others”**

1 Peter 4:10 NIV





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HOLIDAY MAIL



*Merry Christmas
& Happy Holidays!*

To: *Our friends*
From: *Blackburn, Childers
& Steagall*