

RESOURCEFUL FINANCE PRO

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December 2023

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CFO News Briefs

Stories You Might Have Missed

Securing and retaining customers in a slowing economy comes down to strong after-sales service

November 3, 2023

Movie buffs recall the motto of the arrogant but successful salesman in *Glengarry Glen Ross* – “Always be closing.” Simple as ABC. Right?

When it comes to keeping customers satisfied and on-board in a recessionary environment, a better adage for companies might be “Always be serving.” As in, serving your customers even if it’s a quick text message following an order.

Reason: Some salespeople do a great job of selling, right up to the point when the prospect buys or the existing customer re-ups. Then they become scarce and don’t keep in contact with the customer. Often a sales rep leaves a company and the sales manager or other reps don’t reach out to the customer in a timely manner.

Ineffective after-sales service can be disastrous. Roughly 80% of businesses switch to another vendor/supplier after two years because they don’t get the service they expect. In many ways it’s the “grass is always greener” ethos in effect.

What it takes to keep the customer

Effective after-sales service is essential for sales reps to develop so they can keep customer satisfaction and retention levels high. It can be expressed in any kind of communication, though increasingly customers don’t want phone calls or in-person visits so a text or email is often the best route.

While technology is changing the B2B landscape and limiting sales pros’ options to a degree, some things truly don’t change. Sales team members should remember:

- Right or wrong, most customers don’t think about or appreciate what kind of service they get when everything’s going well. They take it for granted. It’s when problems develop that they take a close look at the relationship with their supplier or service provider.

- The customer deserves sales’ best effort, regardless of the time of day or day of the week a complaint or question surfaces. Treat a problem like an opportunity every time and move quickly to get it solved.
- Follow through on promises made. This can’t be emphasized enough. If a problem will take time to handle, let the customer know up front. Apologize if a fast and easy solution doesn’t seem possible.

You’ll never guess which group of employees is investing the most in their future

November 7, 2023

CFOs and benefits professionals can only do so much to influence employees to invest in a company 401(k) plan. So-called influencers are often needed to spur folks to enroll or up their contributions so they’re not caught flat-footed in retirement.

Believe it or not, the most investment-savvy cohort may be Generation Z. When you consider that many are just getting started in their careers, “Zoomers” are putting money into retirement funds at a higher rate than previous generations.

Four out of five Gen Z investors say they began buying stocks, bonds or other asset before they turned 21, according to a survey by the Chartered Financial Analyst and Financial Industry Regulatory Authority Investor Education Foundation. More than half of Zoomers surveyed say they’re invested now. Both of those percentages are significantly higher than what Millennials were saving at the same age.

A similar report by the Transamerica Center for Retirement Studies found 66% of Zoomers are putting 20% of their pay into retirement funds. That’s double the amount older generations are doing. To be fair, a significant percentage of workers in their 20s are living at home with their more cash-strapped parents to save up.

Zoomers like (but don't love) the 401(k) option

Younger employees are more likely to buy and sell stocks via apps. Cryptocurrency is often their first foray into investing, according to the Transamerica survey.

Zoomers aren't as bullish about company-sponsored plans as older cohorts, though that's liable to change as more get married and plan to have kids. The Transamerica poll shows Generation X (83%), Baby Boomers (82%) and Millennials (79%) are enrolled in their companies' 401(k) plan. Just 61% of Zoomers currently are.

Could be younger investors would rather buy stocks than park their money in an index fund. Financial gurus frequently tout the wisdom of diversification but they don't always walk the talk.

For example, 75% of Warren Buffet's equity portfolio is in five stocks – Apple, Coca-Cola, Chevron, Bank of America and American Express. (For what's it's worth, Buffet is especially bullish on Apple.)

Which states are improving their tax laws to attract and keep businesses?

November 9, 2023

No matter where entrepreneurs decide to start a business, they face a variety of taxes and regulations that cut into the bottom line from the get-go. For a start-up in particular, there are a handful of states where the negatives outweigh the positives.

For example: Why pay out the yin-yang in taxes to do business in New Jersey when you can pay less in neighboring Pennsylvania or Delaware? (Hint: There's no sales tax in Delaware.)

The Tax Foundation's annual State Business Tax Climate Index explains why certain states rank near the bottom year after year, and what business-friendly governors and legislatures can do to reverse the trend. "States with the best tax systems will be the most competitive at attracting new businesses and most effective at generating economic and employment growth," the Tax Foundation said. "Unlike changes to a state's healthcare, transportation or education systems, which can take decades to implement, changes to the tax code quickly improve a state's business climate."

Here are a few examples of how state governments improved (and in one case worsened) conditions for businesses in 2023:

- Arizona "transitioned from a two-bracket, graduated-rate individual income tax system ... to a flat-tax tax rate of 2.5%, becoming one of 11 states with a flat individual income tax structure." Arizona jumped from 19 to 14 overall for business taxes as a result.
- Mississippi made itself more attractive to manufacturers and agriculture. The state adopted permanent full expensing for qualified investments in machinery and equipment, shooting it into the top 10 best states for corporate taxes.
- Massachusetts is getting worse for business due to a new payroll tax and the adoption of a graduated income tax rate that increases the top rate from 5% to 9%. The Bay State plummeted from 34th to 46th in overall business climate rankings.

Lack of 1 or 2 of the big 3 taxes is a big plus

Just like death, taxes are unavoidable. Every state imposes unemployment taxes, for example. Companies that own facilities pay property taxes though rates vary from state to state obviously.

It's the three "big" taxes that impact how high or low a state ranks on the Tax Foundation's index: corporate, individual income and sales. States that don't have one of the big three offer significant cost savings.

For example: Nevada, South Dakota and Wyoming don't levy corporate or individual income taxes (although Nevada has a gross receipts tax). Alaska also eschews the individual and state sales taxes. And Florida remains individual income tax-free.

The top 10 ranked states for overall business climate are (in order): Wyoming, South Dakota, Alaska, Florida, Montana, New Hampshire, Nevada, Utah, North Carolina and Indiana.

Rounding out the bottom 10: Rhode Island, Hawaii, Vermont, Minnesota, Maryland, Massachusetts, Connecticut, California, New York and (coming in dead last) New Jersey.

How would your business weather an extended power outage? Now's the time to ask

November 16, 2023

Governments keep pouring money into renewable green energy. Investment gurus tout its long-term benefits. But when Old Man Winter comes, will solar, wind and the like be there to keep the electricity running?

Some folks are betting against it. Like the 65% of Texas voters who just pulled the lever in favor of a multi-billion-dollar loan program to build more natural gas power plants. The Texas Energy Fund will earmark \$7.2 billion in low-interest loans available for new gas-fueled utilities and \$1.8 billion toward backup power.

Over the past decade, GOP and Democrat lawmakers signed off on fossil fuel reductions along the electricity supply chain. As a result, Texas residents and businesses lost power, for days in some cases, during heat waves and a 2021 freeze that resulted in 241 deaths.

Businesses face high grid failure risk this winter

The winter of 2023-24 could wreak havoc on companies far and wide. The grid appears to be more vulnerable than ever to high winds, ice and frigid temperatures.

The North American Electric Reliability Corporation (NERC) warns of "insufficient energy supplies to meet demand in extreme [weather]" for the eastern two-thirds of the continent. "Any prolonged, wide-area cold snaps will be challenging due to generator outages and fuel vulnerability, extreme levels of electricity demand, difficulties in accurate forecasting and the risk of firm electricity transfer curtailments."

NERC says 18% of the national grid failed when winter storm Elliot hammered New England and several Southeastern states. Northeastern, Southeastern and Midwest states are at "elevated risk" of extended outages due to low fuel supplies, lack of weatherization measures by power plants and the complexity of load forecasting.

What can businesses do to prepare?

Generators are one way to keep a facility up and running if the power goes out. A commercial generator can run from \$6,000 to \$37,000 depending on a company's size, needs and budget.

Another option is to lease a generator through a local vendor. A contract with a generator vendor should specify how quickly the vendor will deliver a generator and get power running after notification of an outage.

Maximize the time spent on meetings by borrowing from the Jeff Bezos principles

November 21, 2023

People who worked directly for Jeff Bezos over the years describe him as bold, innovative, a tad impatient, demanding and results-oriented. One positive trait all Amazon-ers seem to agree on is Bezos is gifted at managing people.

Bezos shares how meetings are a necessary evil and how Amazon meetings differ from the norm in his letters to shareholders. At the beginning of a meeting, executives and assorted decision makers silently read narrative memos, written by Amazon staffers, that highlight company financials and updates on projects.

Bezos admits the silent reading exercise, while "pretty weird," works because company execs are busy. The usual back-and-forth between department heads is neutralized and execs feel less pressure to engage in two of the least productive and most common meeting time-wasters:

- defending one's turf, and
- "asking for updates" on what this and that group are working on.

Set rules that work and abide by them, every time

Bezos is a stickler for meetings starting on time, people showing up on time, and keeping the duration short. Here are best practices Amazon follows for meetings:

- Meetings run for 30 minutes. Some might end a little early. But no marathon meetings, that are all too common at companies.
- Be on time or stay out. The meeting is locked out at start time so late-comers can't sneak in silently. All attendees are expected to be on time if they want to be a part of the session.
- No PowerPoints or slide presentations allowed. If only every employer adopted this rule! Make

people review materials ahead of time or during a silent reading session as Amazon does.

- One executive takes detailed notes. Those notes are then made available to attendees afterwards.
- Every meeting's got a clear agenda. Keep it focused on a narrow, business-only topic.
- Save time at the end for questions and clarification. No one should walk out of a meeting unclear on a point that was made.
- Side conversations are verboten. The person speaking's got the floor and deserves everyone's attention.

For more of Bezos' meeting practices and a few others that work for Elon Musk, Steve Jobs and Warren Buffet, check out this LinkedIn [resource](#).

ESG investment rules are facing legal challenges: New York City case is on the docket

November 28, 2023

Much of corporate America is all-in on environmental, social and governance (ESG). Many companies voluntarily report their greenhouse gas emissions and set long-term sustainability goals to please shareholders and customers.

Ongoing litigation could slow down the ESG trend. Climate change activists and investors are keeping a close eye on a class-action lawsuit brought by New York City workers.

Americans for Fair Treatment is representing former NYC workers against city retirement plans that divested holdings in fossil fuels such as oil and coal. The workers claim the city breached its fiduciary duty to "manage the [pension] plans with a singular and exclusive focus on promoting the retirement interests of plan participants and beneficiaries" and breached its "obligations to workers and retirees by using plan assets to advance a political agenda ... for the ostensible purpose of fighting climate change."

The claim was filed in the New York state supreme court. The city's pension plans asked the court to dismiss the lawsuit with prejudice, arguing that the claimants – a subway train operator, a public school teacher, a school secretary and

an occupational therapist at an elementary school – lack standing.

If the lawsuit is permitted to proceed, the claimants will try to show the plans lost value due to eliminating holdings in fossil fuel stocks. The Employee Retirement Income Security Act (ERISA) of 1974 mandates that fiduciaries act prudently and diversify a plan's investments to minimize the risk of substantial losses.

Biden ESG rule passes 1st legal hurdle

In related news, an ESG rule issued by the Department of Labor was upheld in federal court. A judge for the Northern District of Texas ruled that favoring ESG investments in a retirement plan didn't violate ERISA or the Administrative Procedures Act.

But the 25 Republican state attorneys general (AG) bringing the suit are already appealing. The 5th Circuit Appeals Court is up next to hear the case sometime next year. If the AGs lose again, they'll try bringing the case before the Supreme Court.

The Supreme Court is about to redefine what unrealized capital gains are

December 5, 2023

Could entrepreneurs and businesses recoup billions of dollars in taxes paid after Congress passed the Tax Cuts and Jobs Act in 2017? A case being heard by the U.S. Supreme Court starting this week will answer that question.

SCOTUS is now hearing arguments in *Moore v. U.S.* The 2017 tax law included a one-time levy on profits made outside the country on American-owned businesses to help pay for lower income tax rates. The law also imposed taxes on Americans who owned 10% or more of certain foreign companies that owned profits. Before the 2017 law, businesses were able to hold onto trillions of dollars in foreign assets without paying U.S. taxes on them.

Charles and Kathleen Moore are seeking a \$14,279 refund on an Indian company they owned a substantial stake in. That company, KisanKraft, sells tools to rural farmers, from which the Moores argue they never received a distribution, dividend or other kind of payment.

The Moore case will therefore decide whether income must be realized (or received) before it can be taxed under the Constitution's 16th Amendment, passed by Congress in 1909. Just four years after that, President Woodrow Wilson signed the Revenue Act which imposed a 1% income tax on the wealthy.

Tax code chaos on the horizon?

A victory for the Moores could squash Democrat plans to enact various wealth taxes on stocks and index funds. For example, Democratic Senator Elizabeth Warren of Massachusetts wants to tax households worth \$50 million or more 2% and tack on a 1% federal tax on billionaires.

Former House Speaker Paul Ryan, the Republican from Wisconsin who championed the 2017 tax law, predicts "chaos" if SCOTUS clearly defines unrealized gains as exempt from federal taxation. "I'm not for a wealth tax ... but I think if you use this as the argument to spike a wealth tax, you're going to basically get rid of, I don't know, a third of the [federal tax] code," Ryan told attendees at a Brookings Institute event in September.

Congress punted for the 100th time on making substantial spending cuts this fall. Funding for all federal agencies runs out in February. The Pentagon claims it's out of money to continue funding the war in Ukraine.

No doubt a ruling for the Moores will escalate panic on Capitol Hill and spur many lawmakers to call for higher income taxes. Republican lawmakers for the most part won't budge if they want to get re-elected. SCOTUS will announce its decision no later than June.

Interest rate cuts on the horizon: How far do market watchers think they'll go?

December 7, 2023

Inflation isn't dropping as low as Jerome Powell and the governors of the Federal Reserve thought it would when they began ratcheting up the funds rate in March 2022. No matter: A growing number of financial pros predict the Fed will begin lowering rates in March.

That's music to many businesses' ears, especially smaller ones forced to put capital improvements on hold. So just how low can we expect rates to go?

- Global financial services firm ING predicts the Fed will make up to six adjustments in 2023 totaling 150 basis points (bp), and follow it up with another 100 bp reduction in 2025. ING's chief international economist James Knightley thinks modest economic growth, cooling inflation and a slowdown in the labor market are music to the Fed's ears. "[These signs] should confirm no need for any further Fed policy tightening," Knightley predicts. "We expect rate cuts from the Fed from the second quarter onwards."
- UBS analysts are even more bullish than ING. The bank's seers think the Fed will lower the rate substantially in the first quarter of 2024 – by as much as 275 bp. A near 3% rate cut right out of the chute may be in order as the jobless rate climbs and layoffs roll on. No doubt, even the biggest banks are desperate for a big nudge in order to loosen lending restrictions.
- Conor Sen, founder of Peachtree Creek Investments, also thinks the Fed will start cutting rates soon to "preserve the expansion" of the economy. Sen expects the first rate cut to come in March.
- Hedge fund billionaire Bill Ackman agrees rate cuts in Q1 are a no-brainer. Reason: Dipping inflation is making the "real rate" feel higher. A recession is going to hit harder if the Fed doesn't lower rates significantly, and sooner than later, Ackman warns.

What do the betting markets say?

Futures markets are starting to lean toward a rate cut earlier than March, according to the Kobeissi Letter. The markets now say there's a better than 15% chance of a cut in January, though March is still the top choice.

"The base case shows a greater than 56% chance of rate cuts beginning in March," says the Letter. "Markets are currently expecting a total of five [concurrent] 25 bp rate cuts in 2024."

For what it's worth, Fed members haven't officially discussed rate cuts yet. All we can do is speculate what they're thinking and maybe saying to each other in private.

A/P News Briefs

Stories You Might Have Missed

Report: Digitizing A/P the No. 1 back-office tech priority for 3rd year in a row

December 1, 2023

Digitizing A/P is still very much on the minds of your peers, who are prioritizing control of cash flow over business growth as organizations face economic uncertainty and rising inflation.

A survey of 821 finance pros, as well as 246 employees at their vendor partner organizations, by fintech software provider MineralTree concluded that the top-five wish list for automation in Finance is as follows:

1. A/P
2. accounts receivable
3. expense management
4. close management, and
5. forecasting.

MineralTree's latest State of A/P Report also noted that businesses are continuing to make strides in digitizing A/P processes, even though fewer respondents claim to have automated compared with last year (possibly due to budget constraints). Over half of respondents (51.6%) said that they've automated at least some of their A/P tasks, and 18.5% said that they've fully automated their A/P processes.

The reasons for the investment? In addition to AI- and machine learning-powered efficiencies that enable consistent, on-time payments, A/P automation can offer dashboards that provide real-time visibility into cash flow and working capital, and a better understanding of spending patterns. Modern fintech also provides Finance choices for payment timing – either to massage cash flow or take advantage of early payment discounts.

In addition, digitizing A/P saves money on postage because mailing checks is less necessary and saves money on labor because the tech takes care of the manual tasks.

In fact, the top drivers of digitization of A/P at companies right now, according to the report, are:

- Doing more with less in Finance, e.g., lack of qualified talent, reducing headcount (58.8%)
- Reducing processing costs (49.1%)
- Managing cash flow efficiently, e.g., extending days payable outstanding (43.1%), and
- Gaining better visibility into current cash position (42.3%).

Digitizing A/P to solve vendor pain points

With two-thirds (66.2%) of finance leaders reporting that their vendor relationships have grown in importance, vendor dissatisfaction needs to be minimized.

Data shows that vendor dissatisfaction may also be a key driver of A/P digital transformation. Just over half (52.3%) of vendors feel that A/P follows up on payment inquiries in a timely manner, compared to 55.5% that responded that way last year.

Vendors ranked speed of payment as their top priority in the payment experience, followed closely by accurate payment.

Digitizing A/P can solve both, helping businesses improve communication with their suppliers and enabling fast electronic payments. Seventy-nine percent of vendors want to receive more payments digitally, and 76% of vendors believe that when buyers pay electronically, they're more likely to pay on time.

Considerations for your digitization strategy

If you're considering digitizing A/P processes, there are a number of factors to consider, such as:

- the size and complexity of your business
- your budget, and
- your IT resources.

To get more detailed insights on improving your A/P process and the latest trends in A/P automation, check out the free [ResourcefulFinancePro online workshop "2023 State of AP: Key Learnings for 2024"](#).

Finance staffers stressed out by year-end must-dos? Use this checklist to get them back on track

December 4, 2023

Year-end close is when many finance teams are vulnerable to burnout from a seemingly endless, high-priority to-do list of generating annual balance sheets, profit and loss statements and cash flow statements.

So if your year-end closing is this quarter, or if it's almost here, and your people seem frazzled, this is a good time to huddle up, get status updates on important tasks and activities, re-prioritize the year-end timeline, if necessary, and get your team re-energized.

Here's what you need to close the books on time with confidence and start the new fiscal year with accurate financials.

Not ready for fiscal year-end unless you've ...

Compiled all outstanding invoices and receipts. If any documents are missing, the time to track them down is now. While it's wise to budget sufficient time for delays and responses to reminders for submitting invoices and receipts, employees may need a refresher on what your requirements are. Bottlenecks in this year-end step get a lot of finance leaders thinking about automation software because of features like digital receipt capture that speed up the process and reduce manual data entry.

Reviewed asset accounts. To accurately report the value of all assets your company currently owns, cash accounts – including asset expenses and record adjusting entries – must be reconciled. If applicable, compare inventory accounts with your physical stock and review prepaid spend.

Reconciled all transactions. Do recorded transactions match credit card statements, bank statements, invoices and receipts? To get ready for any external audits, resolve any accounting discrepancies or errors and ensure that all items are appropriately classified in your accounting system.

Closed out accounts payable (A/P) and accounts receivable (A/R). Have all records of money coming in or going out been double-checked for accuracy? If not, compare the amounts received or paid against what's been accrued. If there's an outstanding balance, create adjusting entries for any uncollected or unpaid balances.

Accrued A/R. Have all outstanding receivables been listed as credits on the income statement and debits on the balance sheet? If not, generating an A/R report should help your team identify any overdue or collectible balances.

Accrued A/P. Have all unpaid debts been listed as liabilities or accrual expenses on the balance sheet? Double-check that all expenses have been recorded in the correct quarter.

Adjusted grants/entitlements. This one's very easy to miss. Any grants or entitlements, including government contributions, special tax exemptions and private grants, that your business received during the fiscal year need to be recorded in your financial statements.

Payroll News Briefs

Stories You Might Have Missed

Will the NLRB deem you a joint employer under its final rule?

November 6, 2023

The standard for determining who's a joint employer has changed, due to a final rule from the National Labor Relations Board (NLRB).

The current NLRB rule, put in place in 2020 under the Trump administration, says that businesses will be considered joint employers if they have direct and immediate control over one or more essential terms and conditions of employment of another entity's employees.

The new rule rescinds and replaces the old one.

According to the Biden-era standard, an entity may be deemed a joint employer of another employer's employees if the two share or codetermine the employees' essential terms and conditions of employment.

That's bad news, because the new rule makes it more likely you'll be considered a joint employer and therefore be held liable if another entity violates the National Labor Relations Act (NLRA).

Essential terms and conditions

The recently issued final rule contains an exhaustive list of what essential terms and conditions are.

They are:

- wages, benefits and other compensation
- hours of work and scheduling
- the assignment of duties to be performed
- the supervision of the performance of duties
- work rules and directions governing the manner, means and methods of the performance of duties and the grounds for discipline
- the tenure of employment, including hiring and discharge, and
- working conditions related to the safety and health of employees.

Regarding the authority to control the essential terms and conditions of employment, it doesn't matter

whether or not such control is exercised. Likewise, it doesn't matter whether or not the control is indirect or direct.

In addition to both entities in a joint-employer relationship being liable for NLRA violations, both entities would be required to bargain. But each entity would need to bargain only over the terms and conditions it possesses the authority to control.

Effective date of NLRB rule

The NLRB issued the rule in the *Federal Register* on October 27, 2023. The effective date has been extended two months to February 26, 2024.

However, it's classified as a major rule subject to congressional review, so it's not a done deal yet.

We'll keep you posted.

Fringe benefits: IRS updates dollar amounts for 2024

November 10, 2023

The amounts you can exclude from an employee's gross income for certain benefits will change for 2024, IRS announced.

As you know, fringe benefits are generally subject to income tax withholding as well as Social Security and Medicare taxes, unless they meet IRS requirements for exclusion from income.

And for many fringe benefits, the dollar amounts change each year based on cost of living.

Revenue Procedure 2023-34 contains those dollar amounts.

Here are some highlights:

Changes from IRS

First, the limit on pretax deductions for *health flexible spending accounts* (FSAs) is going up.

Employees will be able to contribute up to \$3,200 through salary reductions next year, IRS said. Currently, the limit is \$3,050.

Payroll News Briefs

If your cafeteria plan allows employees to carry over unused FSA amounts, take note of the new maximum amount you can allow for 2024: It's \$640 (up from \$610 this year).

Companies with fewer than 50 full-time employees may consider offering **qualified small employer health reimbursement arrangements** (QSEHRAs).

With a QSEHRA, the total amount of payments and reimbursements can't exceed \$6,150, or \$12,450 for family coverage (that's up from \$5,850 and \$11,800, respectively).

The monthly limit for **qualified transportation fringe benefits** (QTFBs) will also increase in 2024.

If you provide QTFBs, the aggregate exclusion for transportation in a commuter highway vehicle and any transit pass will be \$315 per month (up from \$300). Likewise, for qualified parking, the monthly limit will be \$315 (up from \$300).

For employers that have a **qualified adoption program**, the amount excludable from gross income will be \$16,810 (currently it's \$15,950). Note: The same amount applies if the child has special needs.

That amount begins to phase out if the taxpayer has a modified adjusted gross income of more than \$252,150 (now, \$239,230). It's completely phased out at \$292,150 (now, \$279,230).

For periodic payments received under **qualified long-term care insurance contracts** or under certain life insurance contracts, the limit on the amount of per diem payments will be \$410 in 2024. Important note: That's a decrease from this year's amount of \$420.

Another fringe benefit some employers choose to offer is **medical savings accounts** (MSAs). The 2024 COLA affects the high deductible health plans associated with MSAs. Here are the numbers:

- self-only coverage: the deductible range must be between \$2,800 and \$4,150, and the maximum out-of-pocket expenses have been set at \$5,550, and
- family coverage: the deductible range must be between \$5,550 and \$8,350, and the maximum out-of-pocket expenses have been set at \$10,200.

2024 income tax withholding

Other updates included in Revenue Procedure 2023-34 will allow you to update your payroll system.

The federal income tax rate tables have been adjusted for inflation. As expected, though, the applicable rates remain the same (10%, 12%, 22%, 24%, 32%, 35% and 37%).

Here's a peek at some information found on the tax rate tables:

The lowest rate of 10% will apply to taxable income up to:

- \$11,600 if filing single or married filing separately
- \$16,550 if filing head of household, and
- \$23,200 if married filing jointly.

As for the top rate of 37%, it'll kick in when taxable income exceeds:

- \$365,600 if married filing separately
- \$609,350 if filing single or head of household, and
- \$731,200 if married filing jointly.

The standard deduction, according to filing status, will be:

- \$14,600 – if filing single or married filing separately
- \$21,900 – if filing head of household, and
- \$29,200 – if filing married filing jointly.

If you need to correct a W-2 or 1099, here's a heads-up on changes

November 21, 2023

As you're prepping to file Forms W-2 or Forms 1099 for TY 2023, you know it's tough to avoid all errors. So, it helps to be prepared to file corrections, too.

By way of reminder, the deadline for submitting Forms W-2 to SSA is January 31, 2024, whether you're filing on paper or electronically.

Likewise, the due date for sending Forms 1099-NEC to IRS – whether on paper or electronically – is January 31, 2024.

You have a little more time with Form 1099-MISC. The deadline is February 28, 2024, if on paper and by April 1, 2024, if filing electronically.

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If you discover errors on any of these forms after you file them, here's what you should be aware of before you submit your corrections.

Form W-2 fixes

With Form W-2 corrections, you'll need to follow suit when it comes to the filing method. In other words, if you're required to electronically file W-2s, then corrections for that form will need to be submitted electronically as well. If you end up filing W-2s on paper, then any Forms W-2c would also need to be filed on paper.

This change is connected to the lower e-filing threshold (of 10 returns in aggregate) that takes effect for tax year 2023.

As for the forms you'll use to make corrections – i.e., Form W-2c and Form W-3c – IRS stated as part of its November Payroll Industry Call it'd finalized revisions during 2023.

The previous revisions go back a few years – to 2014 for Form W-2c and to 2015 for Form W-3c.

On the W-2c, you'll find a caution on the final page that's similar to information on the first page – i.e., you can't print Copy A of the W-2c or W-3c from the IRS website in order to submit the forms to SSA. Reason: SSA won't be able to scan them.

On the W-3c, the form's instructions explain where to file paper forms if you're using the U.S. Postal Service. They go to SSA's Direct Operations Center (previously, it was the Data Operations Center). In a note, IRS adds where to send the forms if you're using certified mail or an approved private delivery service and that you can see Publication 15 for details.

Form 1099 fixes

Although you can still use the Filing Information Returns Electronically (FIRE) system to e-file original and corrected 1099s, you now have another option. It's called Information Returns Intake System (IRIS), and it's been up and running since last year.

To use either FIRE or IRIS, you'll need a Transmitter Control Code (TCC). Be careful: The TCCs for the systems aren't interchangeable. Also, the process for obtaining a TCC for FIRE has changed. As of January 2024, you won't be able to use your legacy TCC to electronically file 1099s and other forms via FIRE.

Another point of consideration when making corrections to Forms 1099 is the Combined Federal/State Filing (CF/SF) program.

You can save yourself a step at year-end by taking advantage of the CF/SF program – at last count, more than 30 states were participating and 11 forms were accepted.

Thanks to the CF/SF program, you can file original returns, such as Form 1099-MISC and Form 1099-NEC, to IRS, and then the Service will forward the forms to your state(s).

You can even make corrections through the CF/SF program. But there's a little exception which causes big headaches.

As the Internal Revenue Service Advisory Council (IRSAC) pointed out in its November 2023 *Public Report*, only certain types of corrections can be made. They are:

- federal fields only (yes)
- federal and state fields (yes), and
- state fields only (no).

So, if you find an error that appears only in a state field, such as amount of state income tax withheld, you'll have to quickly register with the state so you can directly submit the corrected information returns.

In its report, IRSAC recommended that IRS lift that restriction and instead begin accepting information return corrections of state-only fields.

But for tax year 2023, and perhaps beyond, you should be ready to spring to action if you use the CF/SF program and need to correct a 1099 mistake that appears only in a state field.

CFO Cost Control

A soft landing for the banking industry isn't in the cards according to the credit experts



by Scott Ball

HOW HEALTHY ARE AMERICA'S BANKS?



How healthy are America's largest banks? On that question, investors and the credit ranking agencies don't see eye to eye.

Just before Thanksgiving, Moody's Investors Service downgraded rankings for three banks you may have heard of – Bank of America, JPMorgan Chase and Wells Fargo. For most of 2023, Moody's ranked the banking giants as stable.

Now they're into negative territory. All three banks are laying off hundreds of workers throughout the country. Mortgage departments in particular are being gutted as nearly everyone wants to sell commercial real estate in major cities and homeowners are more than content to sit tight on 3%-4% rate mortgages. Wells Fargo shut down 13 branches in the space of a week (not coincidentally, Wells Fargo holds more low-interest mortgages than any other bank).

A hard landing appears to be coming for the banking industry and every sector of the economy will feel it to some degree. Yet investors seem to think the banks will weather the storm as their stocks surged even after Moody's sounded the alarm. Perhaps the market thinks inflation is tamed or that the Fed will lower rates sooner rather than later.

What about the American economy? Moody's is bearish

Many of us remember Moody's and all the other credit agencies misreading the tea leaves in 2007. Agencies then gave investors no warning that Lehman Brothers and the like were ticking time bombs sitting on toxic assets about to boil over.

You may have missed the news that Moody's isn't bullish on the

U.S.'s financial health these days. In mid-November, the agency also downgraded America's credit rating outlook from stable to negative.

Moody's analyst Peter Nerby says the negative rating reflects "the potentially weaker capacity of the government ... to support the U.S.'s systemically important banks." Nerby warns the banks face a "significant risk" of deposit flight which would require another enormous infusion of government spending.

Keep in mind: 40 cents of each dollar the government spends is now going toward paying interest on the national debt. Thirty-four trillion in debt and climbing is pretty tough to sugarcoat. And Moody's, for one, is calling the situation like it sees it.

[Read this Story Online](#)

Can alleged stealing of trade secrets be proven without disclosing sensitive information in court?

CFO Bill Keeper was frazzled after being in a meeting with company attorney Roy Yerk for most of the afternoon.

"I'm sure you never want to hear the name Cressman Brothers again," Roy said.

"That attempt to buy our company was such a waste of time," Bill grumbled. "It took the focus off the new product we were supposed to be developing together. Cressman Brothers didn't offer us anything worth consideration. Then, while we were still under contract, they stabbed us in the back and rolled out a competing product."

"Oh, that reminds me," Roy began. "I have something to tell you about our breach of contract and misappropriation of trade secrets case against them. I'm afraid it isn't good."

"The judge denied their motion to dismiss the case. I'd call that good news," said Bill.

Trade secrets complaint countered with motion to compel

"There's more," Roy continued. "They filed a motion that's going to be a real headache unless I can get it thrown out."

"What is it they're asking for?" Bill replied. "They obviously stole proprietary information from us – four trade secrets in all."

"The other day in court, their lawyer said those were just general categories and we need to provide more itemized descriptions of each trade secret, as well as the dates of disclosure, who disclosed on our end, which of our product developers created what and when, and each person from Cressman Brothers that had access to our trade secrets," Roy said.

"I'm not OK with just giving up all that information. They didn't say anything about financials, did they?" Bill asked.

"That's a big reason why I'm going to object to the motion to compel. They want to see our financial statements and tax returns for 2016 through 2022," Roy said.

"What?! No! There's no reason they need to see that. We only started doing business with them in 2019," Bill said.

Bill's company objected to its former business partner's motion to compel the company to submit detailed, sensitive information. Did the judge agree that the disclosure would cause undue risk?



Can alleged stealing of trade secrets be proven without disclosing sensitive information in court?

The decision

No. The judge granted the motion to compel, but denied the time period scope of the financial documents Bill's company would have to produce.

Because the company was seeking damages for lost profits, cash flow and more, the income and conditions from tax returns and financial statements were relevant to the case, the court said. However, only documents from the time of the business partnership to the present were necessary.

The other detailed information that was requested was relevant to the case because the court needed to determine if Bill's company took reasonable measures to maintain the confidentiality of its trade secrets, or even if they were trade secrets at all.

The court needed to be able to distinguish the difference between what skilled pros in the industry would already know and what's truly unique and proprietary.

Be careful who you trust

If another company (or an ex-employee) ever improperly uses your organization's trade secret information, you may have to prove it in court by revealing more information than what you're comfortable with.

So to prevent something like this from happening in the first place, thoroughly vetting potential business partners before entering into a contract is a

must. If there are signs a business's practices could expose your company to unnecessary and costly risk, just keep in mind what happened in this case.

Based on Torsh, Inc. v. Audio Enhancement, Inc., No. C.A. 22-2862 Section P (2), U.S. D.C. Eastern District Louisiana, 11/15/23. Dramatized for effect.

WHAT RETIREMENT PLAN SPONSORS SHOULD KNOW FOR 2024 AND BEYOND



Payroll

IRS releases regs on long-term part-time employees' eligibility for retirement plans



by Jennifer Weiss

IRS released regs at the end of November, leaving retirement plan sponsors with just over a month to get their 401(k) plans up to speed.

The regs pertain to long-term part-time employees' eligibility to participate in 401(k) plans – starting with 2024 plan years!

Although the regs are only at the proposed stage, IRS said employers may rely on them. The long-awaited regs implement provisions of two recent laws.

2 laws on retirement plans

Law #1: The Secure Act of 2019.
This law altered the hours-of-service

requirements for participation in 401(k) plans.

While 1,000 hours per plan year will remain the standard for full-time employees, now part-time employees can make contributions if they work 500 hours per year for three consecutive years – the clock starting ticking in 2021 for any employees on the payroll at that time.

So, starting January 1, 2024, some part-time employees must be allowed to make 401(k) plan contributions through payroll deductions. Note: An employer match or other retirement plan contribution isn't required, but your company may decide to offer that to long-term part-time employees, as you do for employees

who meet the 1,000-hours-of-service requirement.

Law #2: The Secure 2.0 Act of 2022.
This law modified the earlier one.

Starting in 2025, the service requirements for part-timers will be further reduced to 500 hours per year for two – as opposed to three – consecutive years.

Who's eligible?

Here are some details to know about the proposed regs that appeared in the *Federal Register* on November 27, 2023:

First, you should start counting hours on the employee's first day of employment. Say that person's start date occurred during the

IRS releases regs on long-term part-time employees' eligibility for retirement plans

middle of your plan year. For administrative purposes, in the following year you could start counting for that year from the beginning of your plan year.

Second, once a part-timer meets the eligibility standards for your retirement plan as stated above, if that person's hours are less than 500 in a subsequent year, he or she wouldn't cease to be a long-term part-time employee and therefore could continue to make contributions.

Third, let's say a former employee who became eligible to participate as a long-term part-time employee is rehired. Then, for purposes of determining eligibility to participate in your 401(k) plan, your company would need to take into account the 12-month periods during which that person previously was credited with at least 500 hours of service.

Fourth, you don't necessarily need to count employees' hours to determine someone's eligibility for retirement plan participation. After all, that may be difficult if you have some employees paid on a salary basis. Instead, to ease your administrative burden, you may decide to use other methods. The other possible methods are the:

- elapsed time method (with this, you rely on the period of time that elapses while an employee is employed by your company, but a plan can't require an employee to complete more than a one-year period of service), and
- equivalency method (here, employees are credited a

certain number of hours of service for a set period of time worked – such as 190 hours per month if at least one hour was worked that month).

Fifth, IRS clarified that the definition of long-term part-time employees doesn't include:

- certain employees covered by a collective bargaining agreement, and
- nonresident aliens who don't receive U.S. source income.

Clarity on vesting

The proposed regs also explain how to handle vesting in your retirement plan.

All 12-month periods in which the employee had at least 500 hours of service with the employer must be taken into account for vesting purposes (this pertains to any employer contributions to the retirement plan, not employees' elective salary deferrals).

But 12-month periods that began before January 1, 2021, aren't taken into account when it comes to eligibility or vesting.

Also of note, IRS clarified that a 401(k) plan can use the same vesting computation period that it uses for other employees – i.e., a calendar year, a plan year or another 12-consecutive-month period. Using a long-term part-time employee's eligibility computation period isn't required.

Deadline for comments

As mentioned, employers can rely on the regs even though they haven't been finalized.

Meanwhile, IRS is accepting comments on the proposed regs until January 26, 2024.

We'll keep you up to date on any developments.

[Read this Story Online](#) 

Electronic payments strategy: Phase in digital transformation according to priority

Electronic payments – specifically ACH and debit cards – have been a real difference-maker for A/P.

But then we noticed how tech-savvy a lot of our vendor contacts and other payees are. In their personal lives, they're using sophisticated digital payment methods like PayPal, Venmo and Zelle. For them, physically depositing checks or handling cash wasn't practical.

Were there better ways to pay our vendors that upheld our reputation for prompt payment, while not significantly increasing operating costs or fraud risk?

Adding electronic payments that offer more value

Adding corporate credit cards was a great move for T&E expenses, recurring payments and vendor purchases. The cards even enabled us to bring in some money with cash back rebates.

Meanwhile, virtual cards are ideal for speedily sending highly secure vendor payments at no cost. We've also noticed that real-time payments are gaining in popularity.

Offering a variety of electronic payment options has proven to be a competitive advantage because people want to be paid as quickly and efficiently as possible. But it means a greater

administrative burden on A/P because they have to understand the nuanced differences between all the electronic payment types we offer, and the optimal situations to use them.

Digital payment exchange solutions are on the market that can automate these decisions. But our budget was limited, so we decided to start with just shopping for a solution to optimize electronic payments.

Digital transformation in phases also makes sense because when enterprise companies implement change, it's typically done by business unit and begins with solving the biggest pain points first.

Critical questions for prospective fintech vendor partners

We created a comprehensive list of questions to ask potential tech partners when they demo their product:

- What other companies are using your product?
- Will it integrate with our enterprise resource planning system?
- How much is implementation going to cost and how much money will your product save me?
- How much involvement from our IT folks will you need?



Electronic payments strategy: Phase in digital transformation according to priority

- How much disruption will there be to existing processes during implementation?
- What is your vendor enrollment process like? (We don't want something overly complex or requiring re-enrollment.)
- Can you reassure/support vendors with different levels of digital IQ?
- Are there adequate risk management and process oversights that prevent cyberattacks, but don't slow A/P down?
- What's your customer support like?
- Will this technology be supported four years from now?
- Will it scale with the growth of our business?
- Is it easy to reconcile and clear payments?

Asking these questions narrowed our choices and kept us from making a rushed decision.

Because of costly compliance problems, we also identified a need for a solution that manages refunds, rebates and closed accounts. That's the next area we're targeting for digital transformation.

Automating payroll is on the wish list after that.

Subject matter adapted from the IOFM webinar "Control & Capability: Implementing Effective Electronic Payments."

Compliance alert: Beneficial ownership reporting requirement for small businesses starts Jan. 1



by Brian Bingaman

**PENALTIES
CAN BE AS
HIGH AS
\$10K AND
UP TO 2 YEARS
IN PRISON**



A beneficial ownership reporting rule that takes effect January 1, 2024 may add another critical item to your compliance to-do list.

An estimated 32.6 million LLCs and corporations that will be subject to the rule must complete a Beneficial Ownership Information (BOI) report online and submit it to the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) via a filing system on the agency's website, which is currently being developed.

"They haven't given the final word on exactly which filing methods they're going to accept at this point," noted George May, the vice president and segment leader of small business for CT Corporation, a Wolters Kluwer business.

Reporting companies in existence before Jan. 1, 2024 have until Jan. 1, 2025 to file their BOI report. Meanwhile, business entities that are formed starting Jan. 1, 2024 have 90 days from their date of registration to file.

This beneficial ownership reporting rule is part of the Corporate Transparency Act, which passed with bipartisan support in 2021 and is intended to prevent illegal activities like money laundering, financing of terrorist organizations and tax fraud.

But if you're like a lot of small businesses, this fast-approaching requirement comes as an unwelcome surprise because of the new administrative burden that comes with it. Forty-three percent of webinar participants

surveyed by CT Corporation in mid-November indicated they were 25% to 50% prepared to comply with the beneficial ownership reporting requirements. The next largest group, 38%, said they were not prepared at all.

Who has to report beneficial ownership?

The beneficial ownership reporting rule is so broad that it's easier to tell you who doesn't have to report. Most notably, this includes companies that employ at least 20 full-time employees in the U.S., have an operating and physical presence in the U.S., have filed a federal tax return for the previous year and reported gross receipts or sales of more than \$5 million.

Compliance alert: Beneficial ownership reporting requirement for small businesses starts Jan. 1

In an interview, May said the “vast majority” of small businesses won’t meet every requirement to qualify for that exemption or either of the other exemptions, such as:

- Publicly traded companies and other entities that file reports under the Securities Exchange Act
- Financial institutions
- Money services businesses
- Securities brokers and dealers
- Accounting firms
- Insurance companies
- State-licensed insurance producers
- Investment advisors of pooled investments
- Public utilities
- Tax-exempt entities, and
- Inactive entities (which has a six-prong test).

For an eligibility quiz to find out if you need to start preparing for the new requirements, [click here](#).

What information needs to be reported?

Under the rule, a beneficial owner is defined as someone who, either directly or indirectly, owns or controls at least 25% of the company or exercises substantial control over the company.

“That could be a senior officer, like a company president, a CFO, general counsel, the chief executive officer, as well as anyone who has the authority to appoint or remove officers such as a board of directors,” May said.

Entities required to report must not only identify who their beneficial owners are, they must also disclose certain information about the company (including any “doing business as” names and Taxpayer Identification Numbers) and personal information about the beneficial owners (or the company applicant/applicants).

What kind of personal information? Unless you or your other beneficial owners already have a unique identifying number from FinCEN, this is what the feds need:

- Full legal name
- Date of birth
- Current residential street address (except for company applicants acting in the course of their business, who must give their business address) and
- An identifying number from a current U.S. passport, driver’s license or other state or local ID, Indian tribe ID, or a foreign passport (an image of the foreign passport is required).

If you’re having privacy and data security concerns, you’re not alone. The National Small Business Association is taking the Treasury Department to court to challenge the constitutionality of the Corporate Transparency Act.

Security, IT and staff resource concerns are one set of reasons why Wolters Kluwer CT Corporation is offering a self-service beneficial ownership filing application.

Consequences and enforcement

For now, the penalty for noncompliance is \$500 per day

up to a maximum of \$10,000 and up to two years in prison.

How the feds will issue warnings or carry out enforcement remains unclear. “It’s hard for us to imagine FinCEN choosing to get this out in front of people in a more visible way by perp walking some poor person who owns a one-person LLC in Connecticut and saying, ‘You didn’t take care of your nail salon filing.’ We don’t think that’s going to happen.” May said.

Preparing to meet reporting requirements

FinCEN estimates that it’ll take approximately three hours to complete a BOI filing, which is why many small businesses are likely to turn over the responsibility to either their law firm or accountant.

But according to May, some lawyers or CPAs may not be comfortable with handling the client personal identifiable information that’s involved. “There are a variety of ways for getting the obligation taken care of. Which one is right for you depends on how complex your organization is, whether you’re willing to spend a little bit of money to get the problem taken care of ... and just how often you think (beneficial ownership data) will change,” he said.

[Read this Story Online](#) 

Data copying tips in Excel that'll save time

Let's say someone needs to see multiple Excel sheets in a workbook that you have open and are working on.

In the [LearnExcelNow](#) workshop "Microsoft Excel: The Basics & Beyond for Today's Top Professionals," presenter Mitzi Katz recommended copying those sheets to a fresh, new workbook:

1. Group the sheets that you're copying together. Click on the first sheet tab that you're copying, then press Shift and click on the last sheet tab that you're copying. The tabs will all highlight white and "Group" will appear at the top of your screen.
2. Right click and select "Move or Copy." A Move or Copy box appears. Select "Create a copy," then in the "to book" dropdown menu select "(new book)."
3. Click OK.

Excel will take you to the new workbook with the copied sheets. You'll notice the name of the file is "Book 1." You'll have to give it a name and save it. You can quickly close the new workbook with the keyboard shortcut Ctrl W.

Before you go back to what you were doing, don't forget to right-click on the grouped tabs and select "Ungroup Sheets."

Copying a table template in Excel

Now let's say you have a block of data with headers that you want to copy and paste, but with the number cells blank – creating a table template:

1. Use Ctrl A to select the data block.
2. Press Ctrl C to copy. You'll know your table is copied to the clipboard because of the "marching ants" around the data block.
3. Click on where you want to copy the template and press Ctrl V to paste. Note the "(Ctrl)" Paste Options box that appears on the bottom right corner. Options include Formulas, Formula & Number Formatting, Keep Source Formatting, etc.
4. To clear the numbers, set your target area by clicking on the first cell with numbers, then pressing Shift and clicking on the last cell with numbers. All the numbered cells will be highlighted. Press Delete to clear the numbers.

This process will leave any formatting, like commas, decimals, dollar signs, percentages, bolding, text color and font size, intact.

If you don't want to keep the formatting, instead of pressing Delete go to the "Clear" menu in the Editing commands section of the ribbon and select All, Formulas, Contents, etc.

Whew! Latest fed report shows where inflation is starting to cool down

 by Scott Ball



Does it seem like the prices you're paying for products and services are going down? Or at the very least, not shooting up like we saw from late 2021 through the early months of 2023? It's not your imagination.

Annual wholesale price inflation (AWPI) increased 1.3% year over year in October, according to the U.S. Bureau of Labor Statistics' Producer Price Index (PPI). AWPI tracks wholesale prices businesses charge each other and usually predicts consumer prices. For the past seven months, AWPI has come in at 2.5% or lower after spiking at over 11% in mid-2022.

The drop in prices was spurred by fuel costs taking a nosedive. The 15% drop in gasoline reduced the cost of doing business (and temporarily tanked stocks like ExxonMobil and Chevron).

The overall PPI for final demand goods fell 1.4% last month. Prices for final demand services stayed the same in October.

Will we see a less globalized, more nationalized supply chain?

While the PPI is just one economic indicator for businesses to consider, the cooling-off in B2B inflation is good news for struggling companies. Businesses aren't jacking up wholesale prices on each other because the supply chain disruptions and shortages caused by COVID-19 restrictions are over, for the most part.

A secondary cause: U.S. manufacturing is slowly but surely on the rise. The U.S. is waning off Chinese imports as well. We're a long way away from 1950s factory production but the Biden administration's efforts to build new factories is bearing fruit. The biggest problem manufacturers are facing these days is a shortage of qualified labor.

The flip side: China is also becoming less dependent on American

imports. Which helps explain why some of the biggest companies in the world sponsored a lavish dinner for President Xi Jinping and company representatives gave him a standing ovation at his summit with Biden in San Francisco.

What about interest rate hikes made by the Federal Reserve? Economists continue to disagree on how much they've helped or hurt. To be fair, the Fed is like the proverbial fireman who rushes to the scene after Congress and the President decide to print money out of thin air and funnel it to favored areas of the market.

The budget deal to keep the government funded through February illustrates once again how Democrats and Republicans won't come together to make budget cuts and tackle deficit spending. Especially not with a presidential election coming up in less than a year. Businesses can only do their best to adjust accordingly.

[Read this Story Online](#) 



How much of a factor do state tax laws really play in companies deciding to relocate?

Q: I've been reading the stories on *ResourcefulFinancePro* about how a business's location can have an impact on the bottom line. Then I saw that Amazon founder Jeff Bezos was moving from Washington to Florida to save on his tax bills. Should we be thinking about pulling up stakes and moving to a state with more business-friendly tax laws?

A: Although state tax laws can play a significant role in a decision to move, there are other important factors that must be weighed as part of the decision-making process, including what it's going to cost to move, access to talent, transportation infrastructure and the cost of living.

Relocation because of tax laws is a trend to watch, though. For example, the many companies that have relocated from California to Texas in recent years include Tesla (the company keeps a dual California-Texas headquarters), Oracle and Charles Schwab. The Lone Star State's lower tax rates were often cited as a reason.

Moving away from The Golden State's highly-regulated business environment also had to be appealing because it decreases the regulatory burden and the chances of having to deal with an audit.

Or as Noah Peterson puts it in a post on the Tax Foundation website, a well-designed tax code helps facilitate a strong job market and a reasonable cost of living.

Research by the Tax Foundation highlighted some numbers that are hard to ignore:

- Nine of the top 10 states with the largest population gains from 2019 to 2020 have no or low income taxes
- Of the states that saw more taxpayers move in than out, nearly 80% had below-average state and local tax collections per capita in fiscal year 2020, while half of the states that experienced more filers moving out than in had above-average collections per capita
- Nineteen of the 28 states with more people moving in than out had a top marginal income tax rate below the national median, while 16 of the 22 states (plus Washington D.C.) with more people moving out than in had above-median top income tax rates, and
- Twenty of the 25 best-ranking states in the Tax Foundation's "2020 State Business Tax Climate Index" gained taxpayers between 2019 and 2020. Meanwhile, 17 of the 25 worst-ranking states lost taxpayers to interstate migration.

CFO Budgeting & Forecasting

Business budgeting best practices for financial stability and growth in 2024



by Brian Bingaman

Business budgeting season is coming into the home stretch. Will your budget for next year be a rock-solid financial roadmap, helping your organization effectively allocate resources and prioritize objectives? Or will a lack of foresight lead to cash flow problems or decisions based on incomplete information?

With a business climate likely to be impacted by geopolitical uncertainty, shifting compliance requirements, a lack of qualified finance talent, still-problematic inflation and cybersecurity threats, here are some best practices from different experts for doing one last double-check of your 2024 business budget before finalizing it:

- **Adequate key stakeholder involvement.** How much of an effort did you make to get input from your leaders in Sales, Marketing and Operations for the 2024 business budget? This easy-to-overlook collaboration can help identify, quantify and address potential opportunities or risks throughout the organization. Communication with all stakeholders about any budget adjustments that you make, and subsequent financial performance, will go a long way in fostering trust.
- **Analysis of alignment with strategic objectives.** It's important not to lose sight of the need for your business budget targets to be in sync with long-range financial plans and overall strategic



objectives that increase your organization's value. Are expenses tied to specific objectives? Is the projected ROI going to move the needle and deliver customer value?

- **Analysis of whether your business budget targets are realistic.** Most business leaders anticipate at least some increase in overall spending in the next 12 months, especially when it comes to technology. But your peers will still be cautious, making fewer overall spending increases in their 2024 business budgets, according to the latest Forrester Planning Guides. A lot of it depends on what your stakeholder, shareholder, customer and employee expectations are for growth.
- **Training/upskilling budgets that correspond with tech**

investments. Because tech is one area where companies won't be cutting back, staffers may need support to overcome resistance to the implementation of new automation technologies, especially if there's a perception that it'll threaten their job security. Controllers Council recommends allocating resources toward employee training and upskilling in 2024.

- **A clear plan for measuring performance.** What performance metrics will you be using to evaluate the effectiveness of your budget and identify areas for improvement?
- **Cash reserves.** Implementing secondary spending control measures can provide your company with financial flexibility if there are major cash

flow disruptions or supply chain challenges. Establish definitions for when and how reserve funds are utilized. As the year progresses, these funds can be released if they weren't needed in the previous quarter, and allocated toward research and development projects, hiring initiatives or capital expenditures.

Also, did you spend enough time examining past performance, market trends and industry benchmarks to ensure that your targets for next year don't lead to financial strain? For instance, did you identify:

- what goals were met and missed?
- what resources were underutilized?
- where cost overruns occurred?
- what expenses were overestimated and underestimated?

Evaluate your business budgeting tech

Were you able to utilize software and data analytics tools in your budgeting process to provide valuable insights into financial trends? Better yet, will your tech stack provide your finance team enough access to data in the new year to analyze growth, customer trends, economic indicators, supply risks and market risks?

Your CFO peers are leveraging tech for more frequent, data-driven scenario planning to make their businesses agile and resilient enough to strategically shift when necessary. Today's AI-driven

and cloud-based fintech enables proactive preparation for potential risks and disruptive changes by developing multiple business budget scenarios based on different economic forecasts and market conditions.

This proactive approach, which should be a continuous process conducted throughout the year, can be a big help for identifying unforeseen problems with a business budget, adapting to changing circumstances and making informed investment decisions.

For example, funding of strategic projects may continue to be difficult to secure because of elevated interest rates and borrowing costs. Scenario planning sheds light on the impact of different investment prioritization plans.

Can't afford to set it and forget it

Going back to the traditional, fixed budgets of the pre-pandemic times is not an option. Regular reviews of your business budget throughout the year will continue to be necessary to track progress towards targets, identify deviations and make necessary adjustments. Staying flexible and adaptable to changing circumstances is the key to maintaining financial control.

Going forward, it may not be the most popular technique because of how time-consuming it is to justify every single expense, but Controllers Council advised considering a zero-based budgeting analysis to determine if you need to shift your spending. Zero-based budgeting is also helpful for realizing how much capital you can reallocate in a worst-case scenario.

Most popular tech budget increases

Forrester's survey respondents said they'd be increasing their tech budgets in:

- AI capabilities (86%)
- Cyberthreat intelligence (79%)
- Business intelligence and analytics tools (79%)
- Data infrastructure and management capabilities (79%)
- Customer analytics capabilities (77%)
- Network security (77%), and
- Client threat management (77%).

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Meet Our Editors



Brian Bingaman

Brian researches and writes about accounts payable, Finance technology and CFO management trends. Brian brings nearly 20 years of journalism experience to the *Resourceful Finance Pro* team.



Scott Ball

Scott is a Senior Staff Writer for *Resourceful Finance Pro* with more than 20 years of experience writing for business professionals. He wrote for the trade publications *CFO & Controller Alert*, *Facility Manager's Alert* and *Environmental Compliance Alert*.



Jennifer Weiss

Jennifer keeps readers current on Payroll news, covering topics such as employment taxes, fringe benefits and the Fair Labor Standards Act. She brings over 20 years of experience to the *Resourceful Finance Pro* staff.

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