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client CONNECTION

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Final Overtime Ruling

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On September 24, 2019, the U.S. Department of Labor issued a Final Overtime Rule. As many of you will remember, in 2016 a Final Rule was issued that changed the overtime threshold from the standard of $455/week ($23,660 annually) to $913/weekly ($47,476 annually). That Rule was blocked by a Federal Judge in Texas. Since that time, it has been expected that a new rule would be forthcoming with an adjusted threshold but lower than the proposed threshold in the 2016 version. With the Final Rule issued on September 24, which becomes effective January 1, 2020, the Department of Labor (DOL) raises the "standard salary level" from

Continues on page 2

IN THIS ISSUE

1 | Final Overtime Rule

3 | Workers' Compensation

4 | Accounting À La Carte

5 | 5 Strategies to Shrink Your Tax Bill

6 | More than just Investments

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Continued from page 1

the currently enforced level of $455 to $684 per week. What this means is that any employee currently classified as exempt who make less than $684/ week ($35,568 annually) is now to be classified as a non-exempt employee and be paid overtime, at the rate of 1 ½ times their regular hourly rate for hours worked in excess of 40 hours in a workweek.

It is estimated that 1.2 million additional workers will be entitled to overtime pay as a result of this increase. The threshold amount had not been changed since 2004.The FLSA rules regarding employee classification as exempt or non-exempt have been a hot topic and source of numerous DOL audits over the past decade. The FLSA requires that employees be paid overtime for all hours worked in excess of 40 hours per week.

There are some exemptions for the overtime pay, and these exemptions give rise to the term exempt employees. For employees to be classified as exempt, they must fall into one of the following categories by meeting the following criteria:

Executive

- Primary duty must be managing the organization or managing a customarily recognized department of the organization
- Must customarily and regularly direct the work of at least two or more other full-time employee
- Have the authority to hire and fire or have their suggestions and recommendation as to hiring, firing, advancement, etc. be given particular weight

Administrative

- Primary duty must be the performance of office or non-manual work directly related to the management or general business ops
- Includes the exercise of discretion and independent judgement with respect to matters of significance

Professional

- Performance of work requiring advanced knowledge, defined as work which is predominantly intellectual and includes work requiring the exercise of discretion and judgement
- Advanced knowledge must be in a field of science or learning
- Advanced knowledge must be customarily acquired by a prolonged course of specialized intellectual instruction (i.e. college degree in that particular field).

Computer

- Employed as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer field

Outside Sales

- Customarily engaged away from the employer's place of business with the primary duty of making sales or obtaining orders or contracts for services for which consideration will be paid by the client or customer.

If you have any questions on this, or any other employee relations matter, please contact one of our Human Resources professionals.

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Workers' Compensation

I'm sure most of you have seen lawyer ads on television about being able to help you get workers' comp benefits. But did you know there is an easier way? As an organization, you need to know what you are required to provide and what benefit you can give to your employees.

Brief Background

In 1915, the Pennsylvania legislature enacted the Workmen's (Workers') Compensation Act. This law specifies compensation for employees who are injured as a result of employment without regard to fault. Over the years, amendments eventually merged the compensation for injuries and occupational diseases (such as black lung disease) into this act.

The workers' compensation system protects employees and employers. Employees receive medical treatment and are compensated for lost wages associated with work-related injuries and diseases, and employers pay the cost of such coverage while being protected from direct lawsuits by employees. Workers' compensation coverage is mandatory for most employers under Pennsylvania law. Our company carries workers' compensation coverage for all of our employees. Coverage begins the first day on the job.

What Your Employees Need to Know

It is very important for all of your organization's employees to remember that should they sustain a work-related injury, they must immediately notify the person or team that oversees your Human Resources function. No matter how insignificant it might be, employees must report the incident. Most times, it is an insignificant injury, but that one time out of ten when it turns into something more serious, the claim has been filed in a timely manner and benefits can be provided.

Your Role to Help Your Employees

Years ago, we had an employee who worked outside and got stung by what he thought was a bee. He didn't think it was a big deal, so he didn't report the incident. But two weeks later when his forearm had swollen significantly, he got it checked out and found out that it was an allegic reaction and he had developed an infection.

Because our employee did not fill out an incident report immediately, we had to fight long and hard to get the employee benefits covered under workers' compensation. The company pays for workers' compensation insurance, and similar to most other insurances, you pay for it and hope you never have to use it. But when needed, it certainly is comforting knowing your employees are covered.

Generally, the benefits pay you up to 2/3 of your average weekly earnings and cover such costs as doctor visits, hospital costs, laboratory tests, x-rays, among others. But when claims are not filed in a timely manner, it may be the responsibility of your organziation to step in to help your employee receive compensation.

Are you telling your employees what to do if they have an incident at work? Do you have a process in place for paperwork to be completed? If your organization needs a tune up for workers' compensation claims, feel free to reach out to us!

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Accounting À La Carte

In an ideal world, your business or non-profit organization would have complete support of an accounting firm to fulfill all of your accounting needs. However, due to budgetary constraints, that is not always feasible. Allow Donnelly-Boland and Associates to step in to assess your current functions and we can find the scalable solution that's right for you!

The Various Components

Many people think accounting is just bookkeeping, but in reality it is so much more. There are many processes that fit together to make up the full accounting function of an organization. Some of the major components include general ledger and financial reporting, accounts payable and receivable processing, payroll, and benefit administration. Organizations have various needs, and it is our job to help you identify which needs are most critical.

Unique Situations

Although Donnelly-Boland and Associates can perform all facets of typical accounting functions, some of our clients pick and choose specific services they need. Whether you need help with project work, short-term resolutions, or permanent solutions, Donnelly-Boland can provide the help to meet your unique situation.

Working Within Your Budget

Many organizations, especially non-profits, have strict budgets. Work needs to be completed correctly, in a timely manner, and under budget. Since 1992, Donnelly-Boland and Associates has worked with organizations with such restrictions. We can assess your organization's accounting functions, and help stretch your limited funds.

Needs Assessment

Each organization is different and has distinct needs. We have different levels of accountants on staff to perform all functions from basic tasks to the most extraordinary challenges. Donnelly-Boland can give your organization the personal attention it needs to become more successful.

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5 Strategies to Shrink Your Tax Bill

If it looks like you're going to have a high tax bill this calendar year, there are things you can do to reduce it. Here are five ideas to consider:

1. Defer taxable income

You can try to defer some of your income into next year, but it can be tricky. If you're an employee, you may be able to request that additional compensation or a bonus be shifted to the next year. If you're self-employed, you usually have more flexibility. Cash-basis businesses should consider receiving payment after the end of the year. Try to schedule some of your billable work into the next year.

2. Contribute to retirement plans

Contributions to retirement plans such as 401(k)s and various IRAs can lower your taxable income. For instance, you can contribute up to $18,000 a year to a 401(k) and $5,500 to a Traditional IRA – and more if you are age 50 or older. This will directly reduce your taxable income for the year.

3. Manage retirement withdrawals

If you're retired, manage your withdrawals from retirement accounts to optimize your taxable income.

Also, be sure to account for income when you can't control its timing. For example, regular Social Security payments (which may be partially taxable), as well as required minimum distributions from Traditional IRAs after age 70½, may push you into a higher tax bracket if you're not careful.

4. Harvest investment losses

If you have investment losses, consider selling them at a loss before the end of the year to use a strategy called tax-loss harvesting. Investment losses can be used to offset capital gain income, plus $3,000 of ordinary income. Knowing the rules in this area can be a great opportunity to manage your tax bill. For instance, you must separate short-term investments (those you've held a year or less) from long-term investments, and net out the losses and gains in each category separately. Any excess losses after you're done can then be used to offset remaining capital gains, or up to $3,000 of ordinary income.

Also beware of the "wash sale" rule, which says that after selling an investment for tax-loss harvesting, you can't buy a "substantially similar" asset for at least 30 days.

5. Shift deductions

If you itemize your deductions, there are many ways to reduce your taxable income by managing these deductions. Here are some ideas on how to do this:
Since most interest on your mortgage is tax-deductible, consider making your January payment in December. That way there is an additional interest payment available for this tax year.

While medical deductions are somewhat limited, it could be a good time to take care of those appointments and procedures you've been putting off. Schedule appointments before the end of the year so that you can deduct any unreimbursed expenses this year. Also, pay any unpaid doctor bills this year. Special planning is required here, as your medical expenses must exceed 10 percent of your adjusted gross income before they impact your taxable income.

Consider donating to a charity before the end of the year. Most donations to qualified charities are tax-deductible. Keep accurate and detailed records of all your donations. If you are looking for ways to reduce your taxes, give us a call. We would be more than happy to help you determine which tax planning options are best for your situation.

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More than just Investments

Recently I was reading an investment newsletter that called my attention to a bet made in late 2007 by legendary investor Warren Buffett with a hedge fund manager. The bet was simple: the S&P 500 stock index would outperform a portfolio of top hedge funds over 10 years – an implicit bet that even the best and the brightest couldn't consistently beat the market's performance.

The manager's hedge fund was coming off a 5 year period where it had substantially outperformed the S&P 500 Index so his willingness to take the bet may have involved a measure of professional pride. Buffett's position is a bit more surprising since his career is Exhibit A for those who argue that a skilled investor can best the averages. Five years into the bet, the S&P average was winning.

So why use a financial advisor? Why not just invest in low cost index funds? As I've learned, occasionally the hard way, but more often from the financial advisors I've been fortunate enough to work with over the years, a financial advisor can and should help you with more than just investments. Working with hundreds of clients on issues similar to those confronting you gives us a broader perspective than you may have and experience with a variety of potential solutions. In addition to investment management, most of our clients encounter common wealth management issues at some stage in their lives including education planning, business planning, family risk management, cash flow and debt management, retirement planning, legacy planning, and special situations.

We can review these areas with you and determine which are the most relevant to you at the current time, help you develop plans to address areas of concern and prioritize implementation of those plans. As your plans and circumstances evolve, we can help you adjust your plans to address these changes and help you do so in a cost efficient way.

It's not all about the investments or the performance of the investments. Rather, it's about determining and prioritizing goals, developing plans to achieve them and executing those plans. It's about having an advisor who can offer balance and perspective as changes in investor sentiment drive the market up or down. It's about having an advisor who helps you position yourself so you aren't forced to sell when the market drops, or who sees your panic as the drop is occurring and reminds you that rather than racing for the exits, you might instead look at it as a buying opportunity.

As one of our favorite 401(k) advisors always reminds, when you go to the store and find out the Buy One – Get One Free sale is on, you don't decide to leave and return when everything is again full price. Buy low – sell high. It's about reminding you of your goals, your plan, and your progress in achieving it. It's about encouraging you to stay the course, or be cautious when the market is on a tear and you want to jump on the latest hot stock, hot fund or initial public offering. Don't chase performance – when your plan is working, stick to it. Before cashing out your IRA early and paying taxes and early withdrawal penalties, consider other options. When your tax bracket is zero, consider the Roth option in your 401(k) or IRA account.

There are countless examples as unique as your particular circumstances where your financial advisor can help position you for success. Looking for a financial advisor? See us to discuss your unique situation.

*Kevin P. Boland, Financial Advisor
Investments are subject to market risks including the potential loss of principal invested. Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses. Investments are subject to market risks including the potential loss of principal invested. Securities offered through Avantax Investment Services*, Member FINRA/SIPC, Advisory services offered through Avantax Advisory Services*, Insurance services offered through Avantax Insurance Agency LLC. 6333 N. State Highway 161, Fourth Floor, Irving, TX 75038, 972-870-6000.
Donnelly-Boland and Associates is not a registered broker/dealer or registered investment advisory firm.

ABOUT US

Donnelly-Boland and Associates, a certified woman-owned business enterprise, is a CPA and management consulting firm that provides an array of professional services including accounting, financial services, government and nonprofit consulting, human resources, and taxes. We have extensive experience in providing these services to governments, nonprofits, individuals and service businesses. Donnelly-Boland and Associates was incorporated in 1992 and is headquartered locally in Baldwin, Pennsylvania with offices in Brentwood and Waynesburg. We assist a variety of organizations, large and small, on both an interim or more permanent basis.

WHAT OUR CLIENTS SAY

"I strongly believe there would have been serious consequences for the business had the DBA team not come in and taken over the financial office operations."
- Educational Organization

"We wouldn't be where we are without Donnelly-Boland. The expertise, guidance, responsiveness, and flexibility has allowed us to grow..."
- Tech Company

"Fast, efficient, and effective."
- Community Development Organization

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BBB ACCREDITED BUSINESS

BBB Rating: A+

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