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WilkinGuttenplan
CPAs & Advisors

COMMUNITY PROPERTY ADVISOR

QUARTERLY NEWSLETTER OF WILKINGUTTENPLAN

IN THIS ISSUE

HOW LONG SHOULD YOU RETAIN FINANCIAL RECORDS?

By Tara M. Melick, CPA, Supervisor

The current landscape of business lends itself to a mindset that organizations need to be more diligent than ever in safeguarding important documents, which includes having a sound record retention policy. Not ensuring the retention and protection of important financial records possesses a wide range of legal and financial implications that can pose many risks to an Association, yet keeping documents for too long can be a waste of resources and space.

According to IRS Publication 583 there is no law dictating what documents should be kept in hard copy form. Any requirements applicable to hard copy records are also applicable to electronic storage. There may be a legal reason to keep physical copies of certain documents, and this can be determined on a case by case basis. The most important aspect is that there is a backup plan no matter what storage option is utilized.

Why is record retention important to an organization, and particularly an Association? Aside from being a sound business practice, having a record retention policy can support regular operations as well as special situations such as annual audits and transition of Board members or professionals/vendors. These events and circumstances can be made efficient and painless when a comprehensive collection of Association financial records is easily and readily available.

Two of the most common records retention questions we receive are:

1. Which records do we need to retain?
2. How long should we keep our records?

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Events are sure to arise that lend themselves to seeking situation-specific professional advice for record retention questions and concerns, such as when the potential of litigation or arbitration exists. However, absent of these situations, there are some specific guidelines an Association can use to retain and dispose of records. Below is a chart to be referenced when forming and following a consistent and easily-administered records retention policy:

3-7 Years	7 Years	Permanently
• **Accident** reports/claims (Settled cases) • **Backup** of computer records • **Bank** statements/ reconciliations • **Correspondence** (general/routine) with unit owners and/or vendors • **Duplicate** deposit slips • **Employment** applications • **Insurance** policies (expired) • **Petty cach** vouchers • **Requisitions**	• **Accounts payable/receievable** ledgers and schedules • **Canceled checks** (other than those indicated for permanent retention) • **Contracts, mortgages,** notes, and leases (expired) • **Expense analyses**/distribution schedules • **Garnishments** • **General/private ledgers**, year-end trial balances • **Payroll records** and summaries • **Personnel files** (of terminated employees) • **Purchase orders** (purchasing dept. copy) • **Receivable** ledgers and schedules • **Subsidiary ledgers** • **Time books/cards** • **Vouchers** for payments to venders, employees, etc. (includes allowances and reimbursement of employees, officers, ect. for travel and entertainemnt expenses) • **Withholding tax statements** • **Electronic** payment records	• **Audit** reports • **Charts of accounts** • **Canceled checks for important payments,** I.e. taxes, purchases of property, special contracts, etc. (Checks shuld be filed with the papers pertaining to the underlying transaction) • **Correspondence** (legal and important matters only) • **Deeds,** mortgages, and bills of sale • **Financial statements** (year-end, other optional) • **Minute** books of directors, stockholders, bylaws and charter • **Property appraisals** by outside appraisers • **Property records** - including costs, year-end trial balances, depreciations schedules, blueprints and plans • **Retirement and pension records** • **Tax returns and worksheets**-revenue agents reports, and other documents relating to determination of income tax liability • **Training manuals** • **Union agreements** (if applicable) • **Articles of incorporation** and bylaws

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SALT WORKAROUND? TREAD LIGHTLY…

By Karen A. Artasanchez, CPA, MST, Shareholder

In Late 2017, the Tax Cuts and Jobs Act (TCJA) was passed marking the first time in almost 30 years that our country has seen such a massive overhaul of our tax laws. While tax rates across the board were cut, those reductions had to be paid for, and thus, there were some winners and some losers.

One of the most controversial provisions of the new law was the limitation placed on the deduction for state and local taxes (SALT) for tax years beginning in 2018 through 2025. Prior to TCJA, individual taxpayers were able to deduct, without limitation, 100% of their state income taxes and state real estate taxes, collectively SALT. Under the new rules provided by TCJA, individual taxpayers can still deduct their SALT, however, TCJA places a cap of $10,000 on the deduction. This means that individuals are limited to a maximum $10,000 deduction for their combined state income and state real estate taxes. Taxpayers in states with high income and real estate taxes, like New Jersey and New York, are concerned that this provision will be very costly for them.

In an effort to circumvent this cap, both the New Jersey and New York Legislatures have passed bills that would allow local governments to accept real estate tax payments from its residents in the form of charitable contributions. The legislation in both states authorized municipalities across the state to create charitable funds that would accept such “contributions”. Residents who contribute to these funds would receive tax credits against their real estate tax bills. The significance of this workaround is that property tax payments, the deductibility of which is limited under TCJA, are essentially converted to charitable contributions and, under TCJA, the deduction for charitable contributions has been favorably modified.

In addition to the charitable contribution workaround discussed above, the legislators in New York have proposed a second potential solution to the cap. The other workaround comes in the form of an employer-side payroll tax with an offsetting income tax credit on the employee side. While the New York payroll tax legislation may pass muster from a legal standpoint, this provision will likely only benefit a small segment of taxpayers.

While the charitable contribution legislation appears to be a solution for taxpayers in high-income tax and high property tax states the IRS recently responded to this, and other state’s similar legislation, by issuing Proposed Regulations that address the availability of charitable contribution deductions where a taxpayer receives or expects to receive, a tax credit against their property taxes.

The Proposed Regulations state that a taxpayer making a charitable contribution to a municipality’s established charitable fund must reduce the amount of their otherwise deductible charitable contribution by the amount of any state tax credit they receive, or expect to receive. The reason for this reduction is that in order for a charitable contribution to be fully deductible, the contributor cannot receive anything in return (i.e., the quid pro quo of a tax credit).

There is an exception, however, under the Proposed Regulations for tax credits that do not exceed 15% of the amount of the charitable contribution. In such case, the taxpayer would not have to reduce the amount of the charitable contribution for the tax credit received. As an example, if a taxpayer makes a $1,000 charitable contribution and receives a tax credit of $150 or less, then they can claim the full $1,000 charitable contribution.

While these Proposed Regulations are currently not binding, it is likely that after the public comment period they will be finalized and applicable to all taxpayers. You are strongly encouraged to discuss this and other changes impacting your 2018 tax liability with your tax adviser. ■

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FIRM NEWS

WE HOPE TO SEE YOU AT THIS YEAR'S UPCOMING SHOWS!

ABC Buiders & Cintractors of NJ (*April 2019*)
CAI - PA/Del Val (*May 2019*)
New Jersey State Bar Association Convention (*May 2019*)
New Jersey Cooperator Expo (*May 2019*)
New Jersey Apartment Association Convention (*May 2019*)
NJCPA Annual Convention (*June 2019*)
CAI - NJ Annual Expo (*October 2019*)

Come See Us!

NEW YEAR, NEW LOGO!

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We are excited and proud to announce the launch of our new name, logo and website as part of our ongoing evolution of the firm's brand. Our firm has grown and evolved over the last 35 years and we felt it was time to have our brand reflect that. Visit our website to learn more! wgcpas.com

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