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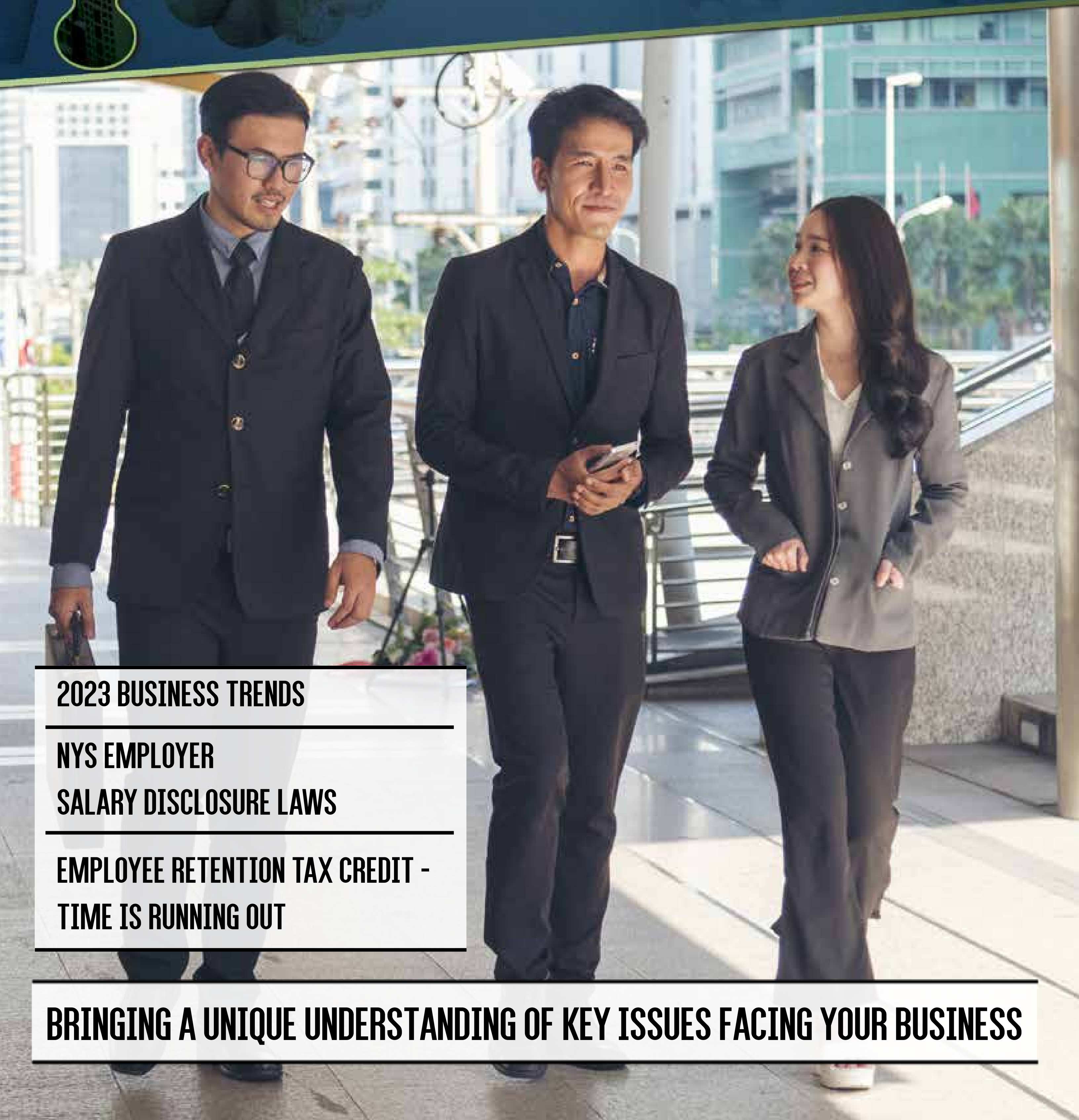

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BRINGING A UNIQUE UNDERSTANDING OF KEY ISSUES FACING YOUR BUSINESS

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2023 BUSINESS TRENDS

As the business world continues to evolve at a breakneck pace, keeping up with the latest trends has never been more critical. Here are some of the more significant trends shaping the economy, leadership, new technology, and staffing issues in today's business landscape.

ECONOMY

The global economy has been through a lot over the past few years, from the fallout of the COVID-19 pandemic to ongoing trade tensions between major powers and inflationary pressures. While nearly everyone has felt the impact in one way or another it is also important to understand and remember how it is we got the current economic climate and how that impacts business owners:

- There were both major *"supply side"* and *"demand side"* forces largely as a result of the COVID-19 pandemic that worked in unison to create major inflationary pressure.
  - Shortages of materials driven by the COVID-19 pandemic disruptions of supply chains from raw materials to intermediate goods – all at seemingly different times as governments had different responses to the pandemic – which have driven up prices.
  - With more *"ammo,"* when the earliest stages of the pandemic released, consumers and enterprises had pent up demand and resources available for the demand of these discretionary items, thereby increasing demand and the price for these items.
    - The *"initial"* stages of the COVID-19 pandemic – think March 2020 – July 2020, saw both companies and individual consumers increasing their savings at record rates as both a response to the potential economic concerns of the pandemic and as a result of shutdowns in key discretionary spending areas, like dining and travel. This did continue, but not at the same page, throughout 2021.
    - The above was compounded by various government stimulus programs like Recovery Rebate Credits, **Paycheck Protection Program (PPP)** Loans and **Employee Retention Credits (ERC)** available to individuals and enterprises, which provided increased fiscal support.
- The result of this was rampant inflation on a global scale. The primary method of combating inflation for central banks is by use of interest rates – particularly for the United States, the Federal Funds Rate. The Federal Funds Rate is the rate at which banks can lend to one another of their reserves to meet banking requirements for the Federal Reserve; in practice, it is a benchmark rate used as the *"base"* for nearly all credit markets – both consumer and business. Since March 2022, when the rate was .25%, the rate has been hiked 8 times to be as of February 2023 4.75%. March 2022 marked the end of a historical run of near-zero interest rates still stemming from the 2008 financial crisis. The increase in rates and interest expense, thereby making it more expensive to borrow, will:
  - Decrease consumer demand for items typically financed that are major economic drivers – housing, cars and items of that nature, which will decrease the price of these items.
  - Increase interest rates on credit cards, which will increase monthly payments consumers will need to make, thereby overall decreasing consumer demand.
  - Increase borrowing costs for organizations which will make major capital expenditures, expansions, mergers and acquisitions more expensive and lower both the cost of these items and lowering the valuations on these projects.

As we move into 2023, businesses must stay vigilant and be ready to adapt to the following economic trends:

- ***Increased focus on sustainability:*** As consumers become more environmentally conscious, companies must respond by reducing their carbon footprint and finding ways to be more sustainable. In the coming years, expect to see an uptick in corporate social responsibility initiatives, such as eco-friendly packaging, renewable energy sources, and responsible supply chain practices.
- ***Digital transformation:*** The rise of the digital economy has been one of the most significant trends of the past decade, and it shows no signs of slowing down. Businesses must continue to embrace digital technology, from e-commerce platforms to AI-powered analytics tools, to stay competitive and meet evolving customer needs.
- ***Continued Inflationary pressure:*** While central banks have worked to ease inflation and some reports are starting to show a decline in the inflation rate, it will normally take several quarters to years for the full impacts of the central banks efforts to see a return to *"normal"* levels of inflation.
- ***Increases in interest rates:*** As inflation pressure continues, the Federal Reserve and world banks will continue to increase rates which will continue to drive consumer demand down and make borrowing more expensive for organizations.

LEADERSHIP

Effective leadership is key to driving business success, and the following trends will shape the way leaders operate in 2023:

- ***Focus on mental health and well-being:*** The past year has put a significant strain on employees' mental health, and leaders must be proactive in addressing these concerns. Expect to see more emphasis on wellness programs, flexible work arrangements, and mental health resources in the workplace.
- ***Embrace of diversity, equity, and inclusion:*** The social justice movements of the past few years have put a spotlight on the need for more diversity, equity, and inclusion in the workplace. Leaders must work to create a more inclusive culture, from hiring practices to fostering a sense of belonging among all employees.

NEW TECHNOLOGY TRENDS

The pace of technological change shows no signs of slowing down, and these are some of the most significant trends to watch in 2023:

- ***Increased use of automation:*** Automation has already transformed many industries, from manufacturing to healthcare. In the coming years, expect to see more businesses embracing robotic process automation, AI-powered chatbots, and other tools to streamline processes and improve efficiency.
- ***Advancements in quantum computing:*** While still in its infancy, quantum computing has the potential to revolutionize everything from drug discovery to logistics. As this technology continues to mature, expect to see more companies investing in quantum computing research and development.
- ***Artificial Intelligence:*** AI is becoming a key tool for businesses, with applications ranging from automating routine tasks to analyzing vast amounts of data to gain insights into customer behavior. As the technology continues to evolve, companies that don't embrace AI risk falling behind their competitors.

STAFFING ISSUES

The workforce is constantly evolving, and businesses must stay ahead of these trends to attract and retain top talent:

- ***Emphasis on upskilling and reskilling:*** As automation takes over many repetitive tasks, workers must adapt by developing new skills. Companies must be proactive in offering training and development programs to help their employees stay relevant in a rapidly changing job market.
- ***Increased use of flexible work arrangements:*** The past year has seen a massive shift towards remote work, and many employees now expect greater flexibility in their work arrangements. Companies must be willing to embrace remote work, flexible hours, and other options to attract and retain top talent.
- ***Increased wages:*** Much like the inflation experienced for increased costs of goods and services, this too impacts the labor markets. With less available staff for roles, organizations will need to increase wages to attract and retain employees.

The world of business is constantly evolving, and staying up to date on the latest trends is essential for success. By keeping an eye on these economic, leadership, technology, and staffing trends, businesses can stay ahead of the curve and continue to thrive in a rapidly changing landscape.

We are here for you, to help you work through your challenges, to provide insight into the sector, or to be a resource to bounce things off. In this Volume of the Bottom Line we will also cover the new salary disclosure regulations and ERTC updates.

Please stay connected …we are here to help you, any way we can.

NYS EMPLOYER SALARY DISCLOSURE LAWS

New York State employers who haven't historically provided salary information in job ads, now need to take action. New York has joined a growing number of states in imposing various requirements on employers to disclose anticipated wages to prospective employees. New York State Senate Bill S9427A, signed into law by Governor Kathy Hochul on December 21, 2022, requires employers with 4 or more employees to include the compensation or *"range of compensation"* and job description in all job, promotion, or transfer advertisements if the job will be performed in NY. This is effective September 17, 2023 so employers need to be prepared. New York City already implemented a salary disclosure law, which took effect on November 1, 2022, followed by Westchester County where it became effective November 6, 2022.

The *"range of compensation"* is defined as the minimum and maximum salary or hourly range believed to be accurate at the time of posting. This information is intended to give job seekers a more complete understanding of the responsibilities and duties associated with a given position, and to help them determine whether they are qualified and interested in applying. It's important to note that the New York State Employer Salary Disclosure Laws do not prescribe specific salary levels or dictate pay scales, but rather aim to promote transparency and fairness in the workplace. The law doesn't require employers to list benefits, bonus expectations, potential commissions, or other compensation details such as stock options.

Employers must now focus on the job requirements and qualifications when determining a salary offer and should communicate the salary range for the position in question. This law helps to reduce pay disparities and to promote pay equity in the workplace. It is an important step towards ensuring fair and equal treatment of all job applicants in New York State.

Employers will also need to incorporate these disclosures into their hiring processes and those of any third-party providing hiring/recruiting services to the employer. To accomplish these objectives, employers may wish to consider reviewing and, if necessary, modifying their existing policies, practices, and processes related to recruitment, hiring, compensation, and training personnel engaged in hiring/recruiting.

Another challenge for employers is dealing with the public perception of their salary information. With this information now readily available to the public, it is important for employers to be able to defend and explain their salary decisions and practices. This requires a deep understanding of the laws and regulations related to salary disclosure, as well as a clear and effective communication strategy to address any questions or concerns that may arise.

Those who violate the law will be subject to civil penalties under New York labor laws. Employers should take proactive steps to ensure that they are in compliance with the law to avoid potential penalties and legal actions. Employers should be taking the time now to start developing and implementing appropriate policies and procedures for tracking and reporting employee pay information. They may wish to seek counsel to ensure compliance and provide training to management on the requirements of the law.

Despite the complexities, many employers in New York State have embraced the salary disclosure laws as an opportunity to increase transparency and accountability within their organizations. By making their salary information available to the public, they are sending a clear message that they are committed to fair and equitable pay practices. These laws have also presented an opportunity for employers to increase transparency and accountability within their organizations. By embracing this opportunity, employers can help to build a more equitable and just workplace culture for all employees. This, in turn, can help to build trust and confidence with their employees, customers, and the wider public.

KIMBERLY ROFFI, CPA
PARTNER

EMPLOYEE RETENTION TAX CREDIT – TIME IS RUNNING OUT

One of the first relief plans issued by the federal government as part of the CARES Act was the employee retention tax credit or ERTC. Since it was initially released during 2020, there have been many changes to the credit that have made it a bit more accessible for nonprofits and business owners. Even so, we are still receiving questions regarding the credit and who is eligible for it, especially since there has been so much advertising and controversy surrounding it. If you listen to any of the NY based news radio stations, you will hear advertisements for credits of up to $26,000 per employee… *this is the ERTC.*

There were 2 phases of ERTC, the 2020 version and the 2021 version… and they were very different as outlined in the chart below:

	2020	2021
ELIGIBILITY[1]	Less than 100 full time employees (*if you exceed the threshold, you are only eligible for wages or health benefits paid to employees that did not work*)	Same as 2020, except the threshold was increased to 300 employees
DECLINE IN REVENUE THRESHOLD	50% deline in revenue in a calendar quarter compared to the same calendar quarter of 2019 (*excluding other CARES Act funding*), calculated on the same basis as you file your tax return (*cash verse accrual*). The credit stays in effect until the revenue is less than 20% down in a quarter	Same as 2020, except the revenue decline threshold in a quarter is 20%
OTHER ELIGIBILITY[1]	A material decline in operations brought about by a governemnt regulation attributable to the COVID pandemic (*e.g. inability to open*). OSHA regulations that were in effect pre-COVID or curtailment in operations due to an incident of someone getting COVID does not qualify	Same as 2020, except there were a lot less regulations still in effect so it will be more difficult to meet this threshold in 2021
SAFE HARBOR	If you meet the revenue threshold requirement for a quarter, you qualify for the credit in the next quarter	Same as 2020. In addition, if the revenue is down 20% or more in the 4th quarter of 2020, you qualify for the 1st quarter of 2021
AMOUNT OF CREDIT	50% of employee qualified compensation and health benefits up to a maximum of $10,000 of health benefits and salary for the year (*maximum credit is $5,000 for the year*)	70% of employee qualified compensation and health benefits up to a maximum of $10,000 of health benefits and salary for each qualifying quarter (*maximum credit is $7,000 per credit*)
EXPIRATION OF CREDIT	3 years from the date your payroll tax was originally due (*July 31, 2023 for the 2nd quarter of 2020*)	Same as 2020
HOW TO FILE	Form 941X	Form 941X

[1]Full-Time employees represent employees that work 30 hours a week or more. If employees work less than 30 hours, they are not included in the count.

The ERTC is taxable and cannot be claimed for the same wages that you filed for PPP for. This does not mean that if you filed for PPP for a quarter, you can't file for ERTC for the same quarter and same employees, you just can't use the same expenses for both. In addition, if you received any other deficit funding for particular salaries, such as a government grant, you have to make sure you consider this in your application.

Furthermore, there has been a lot of abuse surrounding the ERTC filings, so the IRS will be auditing ERTC filings for appropriateness, so it is important that you maintain strong documentation as to why you qualify, how you calculated qualified compensation, and that you properly considered other funding.

Also keep in mind that, as discussed above, the ERTC, unlike the PPP, is subject to income tax and is taxable in the year the credit is taken for. So if you are a December 31st taxpayer, you will need to file an amended 2020 return for any credits you received in 2020 and an amended 2021 return for any credits received in 2021.

The ERTC regulations are somewhat complex, but we can help you navigate the these credits… but keep in mind that the credits do start to expire by July 31, 2023.

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