LAMBERTY, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – September 2025

Upcoming dates:

September 15

- Filing deadline for extended 2024 calendar-year S corporation and partnership tax returns
- 3rd quarter installment of 2025 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

October 15

- Filing deadline for extended 2024 individual and C corporation tax returns

As the dust settles on the July tax bill and the IRS starts to figure out how to implement tax-free tips and overtime, the rest of us need to move into the planning phase of the tax year. To help keep tax planning top of mind is an article about common tax myths. Each of them reinforce the need to periodically review your tax situation to be as efficient as possible.

There is also an article discussing ways to create a planning partnership with parents, children and grandparents as it relates to a smooth transition as we all age. Plus an interesting article to consider if you are a sole proprietor concerning the need to incorporate your business.

And not to be excluded, is an insightful article about the most mundane of inventions. You would not believe their stories!

As always, should you have any questions please call. And feel free to forward this information to someone who could use it!

From Sole Proprietor to S-Corp: Consider a Switch

As a freelancer or contractor, at some point you may wish to incorporate and be taxed as an S corporation. Here's a closer look at the process of becoming an S corporation and when switching might make sense for you.

The main benefits of S corporations

- **Self-employment tax savings.** As a sole proprietor, you're required to pay a 15.3% self-employment tax (which includes Social Security and Medicare) on your entire income. However, with an S corporation, you can split your income into two parts: a reasonable salary (which is subject to Social Security and Medicare taxes) and distributions (which are subject to income taxes but not Social Security and Medicare taxes).

- **Pass-through taxation.** Similar to sole proprietorships, S corporations are considered pass-through entities. This means that the business itself doesn't pay income taxes. Instead, profits and losses pass through the business to the owner's personal tax return. Profits of a C corporation, on the other hand, are taxed twice – once at the entity level, and again on the owner's tax return.
- **Legal protection.** If there is a risk of possible legal action, an S corporation can potentially help protect your personal assets from your business assets. For example, this can be especially helpful if you are in the contractor trade and the customer makes a claim against the fulfillment of your contract.

While transitioning from a sole proprietor to an S corporation can certainly result in significant tax savings, there are a few trade-offs to consider.

Trade-offs to consider

Most of the trade-offs are centered around administrative requirements and potential costs. These include:

- **Running payroll.** Even if you're the only employee, you'll need to set up payroll and withhold taxes. Many business owners use a payroll service to handle this.
- **Separate tax filing.** Your business will now need to file a Form 1120-S tax return with a March 15th due date in addition to your personal tax return.
- **Accountants or bookkeepers are typically used.** Most S corporation owners work with professionals to handle bookkeeping and tax filings.
- **Reasonable salary requirement.** The IRS expects owners to pay themselves a fair market wage. Underpaying yourself to avoid taxes can lead to penalties.
- **State-level requirements.** Some states have minimum franchise taxes or annual fees for corporations and LLCs, regardless of income.

When it makes sense to switch

Switching to an S corp generally becomes worth considering when your net income (after expenses) is in the range of $75,000 to $100,000 or more per year.

Here's an example:

Assume you earn $120,000 in net income as a consultant.

- *As a sole proprietor, you'd pay self-employment tax on the full amount, about $18,000.*
- *As an S corp, if you pay yourself a reasonable salary of $60,000, you'd only pay payroll taxes on that amount, roughly $9,200. The remaining $60,000 in profit would be subject to income taxes but not payroll taxes.*

That's a potential tax savings of nearly $9,000 per year.

Switching from a sole proprietor to S corp can offer real tax advantages, but it’s not a one-size-fits-all solution. It's usually best practice to review your situation once per year to ensure your business is organized properly.

Family Teamwork: A Smooth Transition Through the Ages

As you get older, so do your parents and grandparents. And at some point, the need for support and transition becomes unavoidable. If you're lucky, the shift happens gradually. But without planning, it can arrive suddenly and feel overwhelming. Here are some suggestions to make the transition smoother for everyone involved.

Parents (or grandparents!) – Proactively plan

Talking to your children or grandchildren about money, health, and living arrangements are not normally addressed. Your goal is to be prepared should you be faced with an emergency. This way you can avoid making key decisions in emergencies, such as in the ER, after a fall, or under emotional strain.

What you can do:

- **Make it legal.** If you have not already done so, set up a will, power of attorney, and healthcare directive. Most states have a preferred legal format that is often accompanied with a list of questions. Walk through this document with your children, and while it may seem awkward, remember they may need to be the one carrying out your wishes. Without these, your children may face expensive and drawn-out legal battles just to act on your behalf.
- **Share your financial picture.** Start small. It may be as simple as providing a place to get a list of your accounts and passwords if needed. Your children don’t need every detail, but they need enough to understand resources, debts, and insurance coverage.
- **Clarify wishes for care.** Do you want to age in place? Would you consider assisted living? Who do you trust to make medical decisions if you can’t? What funeral arrangements make sense?

Children – Initiate conversations sooner rather than later

This isn't about taking control from your parents, but rather it’s about being ready to help when it's needed. Ideally your parents are having these conversations with you periodically, but if not you may find that you need to step into this void.

How you can help:

- **Learn their wishes now.** Ask where they'd like to live if living alone becomes unsafe, and what kind of care they would like. Or explore a plan to stay in their house, if that's their wish. Who knows, they may already have a robust plan in place, but then you'll know!
- **Understand available resources.** Know which bank accounts, insurance policies, and retirement funds exist, and where to find documents. Also get a general feel if there are adequate funds in place to navigate the next phase of life.
- **Build your own plan.** Prepare financially and emotionally for the possibility that you may need to help cover costs or coordinate care.
- **Become a resource.** Pay attention to changes in laws, then relay this information to your parents. An example is the extra $6,000 senior deduction passed into law in July. By staying alert, you can ensure your parents are taking full advantage of the opportunities made available to them.

Know the tax tools available

Money is often the biggest stress point in transitioning to new living arrangements or higher levels of care. But many families overlook the tax credits, deductions, and programs that can ease the financial burden. Here are some key areas to explore:

- **Medical Expense Deductions.** If medical and long-term care expenses exceed 7.5% of your income, they may be deductible, including in-home care, assisted living (if medically necessary), and medical equipment.
- **Dependent Care Credit.** You may qualify for this credit if you pay for the care for a dependent parent while working.
- **Claiming a Parent as a Dependent.** If you provide more than half of your parent's support, you might be able to claim them as a dependent, which can further reduce your taxable income.
- **State-Specific Credits.** Some states offer tax breaks for care giving or senior housing. Check your state's tax agency for details.
- **Health Savings Accounts.** These accounts can be used tax-free for qualifying medical expenses for your parents if they're considered dependents, even if they're not on your insurance.

Get started today

The problem isn't that children and parents don't care about transition planning...it's that they think there's plenty of time to do it. Unfortunately, this is not always the case. Here's how you can start taking action today:

- **Schedule a first meeting.** Don't wait for the right moment. Put it on the calendar.

- **Break it into small pieces.** Talk about housing one week, finances the next. Avoid trying to solve everything at once.
- **Document agreements.** Even informal notes can be a lifesaver later.
- **Review regularly.** Life changes. So should the plan.

If handled properly, these planning discussions build a level of trust and create a level of partnership. The sooner you start talking and planning, the more control you'll have over choices, costs, and comfort.

The Truth Behind Common Tax Myths

Tax myths can spread quickly, leading to costly mistakes or missed opportunities. Here are several common tax myths along with best practices to help you stay grounded in reality.

Myth: Moving into a higher tax bracket means you'll take home less money

Reality: The U.S. tax system is progressive, meaning your income is taxed in layers. There are currently 7 different layers, with tax rates ranging from 10% to 37%. When you enter a higher tax bracket, only the portion of income above the bracket threshold gets taxed at the higher rate, not your entire income.

Best Practice: *Know your marginal tax rate! This is the tax rate of the next dollar you earn. By understanding this you can do your own calculations on the impact of any additional income you earn.*

Myth: Getting a tax refund means you did something right.

Reality: A tax refund means you overpaid your taxes. It's your money, coming back to you – without interest. Getting a big refund might feel great, but from a cash flow perspective, you're better off adjusting your withholding so you keep more of your paycheck each month.

Best Practice: *Review last year's tax return, then update the numbers to reflect your situation for the current year. Factor in the latest changes such as tax-free tips, tax-free overtime, and increased standard deductions, including the new $6,000 deduction for seniors. Once you've made these adjustments, revisit your paycheck withholdings to make sure they're on track.*

Myth: You can deduct all your expenses if you're self-employed.

Reality: Not quite. While being self-employed certainly opens up more deduction opportunities, not every expense qualifies. Only ordinary and necessary business expenses can be deducted. That family trip overseas doesn't qualify unless it was genuinely work-related (and even then, only parts of it might qualify).

Best Practice: *Set up a dedicated business bank account to handle all income and expenses related to your work. Then establish a regular schedule to transfer funds into your personal account for all non-business spending. And don't commingle funds with your personal expenses. The IRS may be quick to throw out ALL expenses if they see this occurring.*

Myth: You don’t have to report income if you didn’t receive a Form 1099.

Reality: If you earn money, the IRS expects to hear about it, regardless of whether you received a Form 1099. Many people assume that if a client or gig platform doesn’t send you a 1099, then that income doesn’t need to be reported on your tax return. But that’s not how it works. The tax code requires you to report all income, no matter how it’s documented – or if it’s not documented at all.

Best Practice: *Keep a list of past 1099s to help you remember which clients or platforms have paid you before, and to double-check if you earned income from them again this year.*

Please call if you have any questions about your tax situation.

The Real History Behind Common Everyday Objects

It's easy to overlook the ordinary. A zipper, a fork, a paperclip. Each plays a small but essential role in daily life. Yet behind many of these tools are extremely interesting, strange, or accidental histories. Here’s a closer look at the real origins of some of the objects we use every day.

The paperclip: A symbol of resistance

The paperclip may seem like a product of office supply boredom, but its story is more complicated...and even political. While several designs emerged in the 19th century, the most widely recognized version was never patented. Norwegian inventor Johan Vaaler filed a similar patent in 1899, but it was less functional than the Gem-type paperclip we know today, developed by an unknown British manufacturer.

Oddly enough, during World War II, Norwegians wore paperclips on their lapels as a silent protest against Nazi occupation. It became a symbol of resistance and unity, proof that even the smallest items can carry weight.

The fork: Once seen as excessive and unholy

The fork is now a staple of Western dining, but for centuries it was considered unnecessary, even decadent. In medieval Europe, people ate with their hands, spoons, and knives. When forks began appearing in Byzantine courts, they were viewed by some religious leaders as prideful, a sign of vanity or softness.

It wasn't until the 17th century that forks gained acceptance in France and Italy. Catherine de' Medici is often credited with bringing them to prominence in Europe when she married into the French royal family. By the 18th century, forks had gone mainstream, changing table manners forever.

The zipper: A name that made it stick

The zipper's development was a slow burn. In 1893, Whitcomb Judson introduced a clasp locker meant to fasten boots and shoes. His invention, though, turned out to be bulky and unreliable. In 1913, Gideon Sundback improved the design, creating what we now recognize as the modern zipper. But it wasn't until the B.F. Goodrich Company used it on rubber boots in the 1920s, and called them Zipper boots, that the name and invention caught on.

Zippers weren't just for fashion. During WWII, they became standard on military gear, appreciated for their speed and simplicity. Today, billions are manufactured each year, quietly holding our world together.

The eraser: Once made of bread

Before rubber, people erased pencil marks with…bread. Crustless, balled-up bread was the go-to erasing tool from the 1500s until the late 1700s. In 1770, British engineer Edward Nairne accidentally picked up a piece of rubber instead of bread and discovered it worked better. He began marketing rubber erasers soon after.

The term rubber itself came from this use. It described a substance that could rub out pencil marks. It wasn't until vulcanized rubber (made more durable by adding sulfur) was invented by Charles Goodyear that erasers became a durable staple of stationery.

Look for the hidden stories all around us

Everyday objects are often invisible until we pause to consider them. Yet their histories are full of innovation, cultural resistance, accidents, and reinvention. They remind us that even the most ordinary things have extraordinary stories, if we take the time to look closer.

Beyond Your Credit Score: What Really Reflects Your Financial Health

A credit score is often treated like a financial grade. It's the number people look at when you are applying for a loan, renting an apartment, or even getting a job. But while it's important in certain situations, it doesn't tell the full story of your financial health. In fact, it misses some of the most important pieces.

What a credit score really measures

Your credit score is primarily designed to help lenders assess how likely you are to repay borrowed money. It looks at factors like your payment history, credit utilization, length of credit history, types of credit, and recent credit inquiries. In other words, it's a tool for measuring how you manage debt, not how you manage money overall.

You can have an excellent credit score and still struggle financially. You can also have a lower credit score and be in a strong financial position because you avoid using credit altogether.

What really matters for financial health

If your goal is long-term financial stability and peace of mind, there are more meaningful metrics than your credit score. Here's what you should pay attention to:

- **Cash flow mastery.** This is the foundation of your finances. Are you consistently spending less than you earn? Positive cash flow gives you the flexibility to save, invest, and plan for the future. Even if your income isn't high, managing it wisely can make a big difference.
- **Emergency readiness.** An emergency fund helps protect you from unexpected events such as a job loss, medical expenses, and home repairs. Having three to six months of living expenses saved can prevent you from going into debt during a crisis.
- **Debt load and structure.** How much you owe, and what kind of debt it is, plays a major role in your financial health. High-interest consumer debt, such as credit card balances, can be a major drain. On the other hand, low-interest, long-term debt (like a mortgage or student loan) may be more manageable.
- **Savings and investments.** Building wealth takes time and consistency. Regular saving, even in small amounts, can have a big impact. A credit score doesn't measure this, but your future self will.
- **Financial knowledge.** Understanding how your money works is essential, such as knowing how interest compounds, how taxes affect your income, and knowing how to set financial goals. You don't need to be an expert, but increasing your financial literacy over time helps you make smarter decisions and avoid costly mistakes.
- **Confidence around money.** Financial health isn't just about numbers. It's also about how you feel. You might have a great credit score but still feel anxious every time you check your bank account. Feeling stable and secure is a sign that your financial system is working for you.

Your credit score is just one small piece of the puzzle. It matters when you're borrowing money, but it's not a full measure of how well you're doing financially. Treat it like a tool – useful in the right context, but not the final word.

7 Low-Cost Ways to Keep Customers Coming Back

Winning a customer in today's economy is only half the battle. Keeping them is where long-term success lies. Fortunately, customer retention doesn't always require big budgets or elaborate marketing campaigns. With creativity, consistency, and genuine care, you can inspire customers to return again and again. Here are seven cost-effective strategies to help you build lasting loyalty.

1. **Start a simple loyalty program.** You don't need expensive tools to run a great loyalty program. Simple punch cards, stamps, or email tracking work well, especially for small businesses. The key is offering rewards that customers value, like free products or exclusive discounts. Keep rewards achievable and rules clear to encourage repeat business and stand out.
2. **Communicate consistently (but respectfully).** Regular contact builds trust and familiarity. Use emails, texts, or social media to share tips, news, and offers that add value, not just sales pitches. Monthly check-ins keep you memorable without overwhelming customers. Personalizing messages by referencing past purchases shows you care and pay attention to their needs.
3. **Add personal touches to every interaction.** Customers remember how you make them feel more than the specifics of the product or service. A handwritten thank you note, remembering their name, or asking about their last purchase or visit goes a long way. For online businesses, personalized follow-up emails or custom packaging inserts can create that same warm, human connection. These touches cost little but have a big impact on customer perception and loyalty.
4. **Ask for feedback. And act on it.** Asking customers for feedback is a cost-effective way to build relationships. Use surveys, comment cards, or brief conversations to learn what works and what doesn't. Always follow up, thanking them and sharing any changes made. This shows them that you value their input and are committed to improving their experience.
5. **Offer exclusive access or insider perks.** Customers enjoy feeling in the know. Give loyal shoppers early product access, event invites, or sneak peeks. Simple perks like private shopping hours or exclusive discounts can make them feel valued and part of a special group. These low-cost gestures build strong emotional connections and loyalty.
6. **Build a community around your brand.** Customers return when they feel connected. Encourage community through social media groups, events and workshops. For example, a coffee shop might host a latte art contest, or a fitness studio can put on a wellness challenge. These activities build relationships and make your business a meaningful part of your customers' lives.

7. **Surprise and delight.** Small, unexpected acts of kindness can turn casual customers into loyal advocates. It doesn't require costly gifts, either. Free upgrades, treats, or surprise discounts work with many customers. These moments create memorable experiences and encourage customers to share their positive stories, strengthening your relationship and boosting word-of-mouth referrals.

Retention strategies don't need to drain your budget. Start with one or two of these ideas, adapt them to your own customer base, and expand from there. Over time, you'll find that keeping customers isn't just less expensive than finding new ones, it's also far more rewarding.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.