

THE ADDITION

A Publication of Ketel Thorstenson, LLP

WINTER 2025

Volume 31 Issue 1

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Review Your Estate Planning Documents!

By Mary Hlebechuk, CPA
Senior Manager, Tax

How Outdated Beneficiary Designations and Property Titling Affect Income Taxes and Other Unintended Consequences.

When it comes to estate planning, many people focus on creating wills or trusts to ensure their wishes are carried out according to plan. However, an equally important yet often overlooked aspect is managing the income tax implications tied to your estate plan.

Periodic reviews of beneficiary designations, asset titling, and estate planning documents are crucial for ensuring your wishes are still being carried out while also minimizing the tax burden for your heirs.

Why Beneficiary Designations Matter

Beneficiary designations are used for assets such as retirement accounts

(e.g., 401(k)s, IRAs), life insurance policies, annuities, and payable-on-death bank accounts. These designations determine who will receive assets upon your passing, regardless of what your will or trust may say. Over time, life changes such as marriage, divorce, the birth of children, or the death of a beneficiary, can make old beneficiary designations outdated or incorrect.

The Importance of Property Titling

Similarly, the way property is titled (e.g., homes, bank accounts, vehicles) dictates how ownership transfers after death. For example, joint tenancy with rights of survivorship ensures property automatically passes to the surviving owner, while sole ownership or tenancy in common requires assets to pass through probate as directed by your will or trust.

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Start Small, Think Big

Tips for efficient year-end (and all year) bookkeeping.

By Camilla Busklein – Associate, Business Accounting

Navigating the financial landscape of a business can be compared to steering a ship through uncharted waters. The constant demands of financial tasks can feel overwhelming and potentially lead to errors.

However, maintaining up-to-date accounts will significantly streamline your processes and provide a clear picture of your business's financial



Camilla Busklein – Associate,
Business Accounting

health. By consistently keeping up with your accounts, you can detect issues early, plan better, and make informed decisions that enhance your business's performance.

Completing the following steps every month will help alleviate stress for yourself and your tax preparers.

Accounts Receivable & Deposits:

- Upon receiving customer payments, ensure deposits are made promptly and recorded in the accounting software without delay.
- Utilize electronic payments and automatic bank feeds to streamline the process.
- Recording invoices and making timely deposits enhances cash flow, facilitates quick follow-ups on outstanding or missing payments, and helps identify customers who are behind on paying their invoices.

Accounts Payable & Payments:

- Promptly enter vendor invoices into the accounting software.
- For services provided, request a W-9 from vendors for year-end 1099 purposes.

- If a substantial invoice (over \$2,500) is received for equipment or other assets that should be capitalized and depreciated over time, make a copy for your tax accountant.

Maintaining accurate accounts payable records enables your business to avoid double payments, identify price increases, and track trends in vendor payments. For example, identifying significant increases or decreases in amount or frequency. Additionally, you will be well prepared for January when 1099 information is due.

Payroll:

- Promptly record payroll payments if your business is not using a payroll module in your accounting software or a payroll provider with import capabilities. This will help you easily track overtime and payroll cost trends.
- Ensure employee contact information is up to date. When quarterly and year-end reports are due, having current and accurate information makes submissions hassle-free.

Bank Reconciliations:

Completing the tasks above and utilizing your accounting software will make bank reconciliations quick and easy. This step will also help identify:

- Missing deposits, which may signal poor cash handling or potential internal fraud.
- Opportunities to invest excess cash
- Old outstanding checks that need to be reissued or voided.
- Cash flow challenges that require attention.

It is best to have bank reconciliations performed by someone other than the individual responsible for making deposits and payments to help protect your business' assets.

Review Financial Statements

When all other steps have been completed, a monthly review of your financial statements is necessary. This step is comparable to taking the pulse of your business. Consistently reviewing your financial statements will:

- Spot areas for expense reductions before they spiral.
- Identify and act on potential sales, investments, or growth opportunities.
- Compare financial statements from year to year and identify trends
- Make short and long-term planning decisions.

Prepare for Taxes

At year-end, now that your books are up to date, it is time to gather essential documents for your tax professional. These documents include financial statements, W-9 forms, 1099 information, and employee W-2 information. Having everything up to date ensures a smooth and efficient tax filing process. Not only does this minimize stress during the busy tax season, but it also allows your tax professional to accurately assess your financial position and identify potential tax-saving opportunities.

By following these monthly steps and maintaining updated accounts you will simplify processes, have a clearer financial view, detect issues early, support better planning and decision-making, and ultimately boost your business' performance.

CONTINUED FROM PAGE 1

Also, if you own a non-retirement account asset by yourself, its basis will be adjusted to the current market value when you pass away. This is called a full step-up in basis. However, if you own the asset jointly with someone else, only half of its basis will be adjusted. This step-up is important because it allows a business asset to be depreciated again or an investment asset to be sold with little or no gain, reducing the tax burden.

Real-Life Downfalls of Neglecting Reviews

#1 Outdated Beneficiaries After Divorce

John divorced his first wife, Mary, ten years ago and remarried Lisa. However, John never updated the beneficiary designation on his 401(k), which still names Mary as the beneficiary. When John passes away unexpectedly, his ex-wife receives the retirement funds, leaving Lisa with nothing.

Even though John's will direct that everything is to be left to Lisa, the 401(k)-beneficiary designation overrides the will. In addition, Mary does not enjoy the opportunity for spousal rollover benefits that could have reduced her taxes and extended payouts.

#2 The Birth of a Child Overlooked

Sarah and Mark welcome their first child, Emma, but never update their life insurance policies. Sarah's policy still reflects her pre-marriage beneficiaries, which are her siblings. When Sarah tragically passes away, her siblings inherit the life insurance proceeds instead of her husband and daughter, leaving Mark unassisted with the financial duties of raising Emma.

#3 Sole Ownership Versus Joint Ownership

Jane owns a vacation home titled solely in her name, despite sharing it with her husband, Michael. The home is valued at \$300,000 at the

time of her passing. Although the home needs to go through probate to pass to her husband, Michael receives a full step-up in basis. When he sells the property for \$300,000 shortly after Jane's passing, he pays no capital gains tax.

Let's say Jane and Michael own the vacation home jointly, with an original purchase price of \$100,000. Upon Jane's passing, the property transfers to Michael without going through probate. Michael receives a step-up in basis on Jane's half interest only, resulting in a new basis on the vacation home of \$200,000 (\$150,000 for Jane's step up, plus \$50,000 of Michael's original cost basis). This will result in a \$100,000 taxable gain when Michael sells for \$300,000 after Jane's passing.

Final Thoughts

By making a review of your beneficiary designations and property titles a regular part of your financial checklist, you can protect your estate plan, minimize legal and tax complications, and provide peace of mind for yourself and your loved ones.

Your KT estate planning team is here to help with any estate and income tax questions you may have!



Mary Hlebechuk, CPA
Senior Manager, Tax



What Form 990 Does my Nonprofit Need to File?

By Joshua Drake – Associate, Tax

Income Thresholds for Filing Form 990

Form 990 is an annual tax return filed by nonprofit organizations in the United States to the IRS. It provides a comprehensive overview of a nonprofit's financial activities, governance, and compliance with tax-exempt status requirements. However, the income limits for filing Form 990 depend on the size of your organization, particularly its gross receipts or total annual income.



Joshua Drake
Associate, Tax

Form 990 (Full Form):

Organizations with gross receipts exceeding \$200,000 or total assets over \$500,000 must file the full Form 990. This detailed form provides comprehensive information about the nonprofit's revenue, expenses, executive compensation, and more.

Form 990-EZ (Short Form):

Nonprofits with gross receipts between \$50,000 - \$200,000 and total assets under \$500,000 are eligible to file the shorter, simplified version of Form 990 – Form 990-EZ. This form requires less detailed information but still covers key financial data.

Form 990-N (e-Postcard):

Small nonprofits with gross receipts of \$50,000 or less can file Form 990-N, often referred to as the "e-Postcard." This is a very basic online filing that asks for minimal information, such as the organization's name, address, and confirmation of eligibility to file.

Form 990-T

Any tax-exempt organization with Unrelated Business Income (UBI) over \$1,000 must file a 990-T. This form is used to report the income from activities unrelated to the organization's

tax-exempt purpose, and taxes may apply to the net income from those activities.

Form 990-PF

Private foundations under Section 501(c)3 file a Form 990-PF regardless of their size or income. This form is used to figure the tax based on investment income, and to report charitable distributions and activities.

Exemptions and Other Considerations

Certain organizations, like churches, conventions of churches, and other religious organizations, may be exempt from filing Form 990, regardless of their income levels. However, even exempt organizations must adhere to other reporting requirements depending on their activities and status.

It's important your nonprofit leaders understand these thresholds and ensure they file the correct form to maintain compliance with IRS regulations and preserve your tax-exempt status.

If you have any questions about which Form 990 your organization needs to file, KT has a dedicated nonprofit team available to help!

Wire Transfer Security & the Prevention of Fraud

By Linda Strong – Senior Associate, Business Accounting & Mark Finstrom – Manager, IT

In today's world, immediacy has become the norm as individuals and businesses alike expect to be served quickly. With social media, instant, real time responses are common and with that, phishing, vishing, and account fraud have skyrocketed. In the financial and accounting industries, wire transfers have become a favorite target for bad actors looking to pick your pocket. In this article, we'll give some brief tips to protect you from wire transfer fraud.

Wire Transfer Security Tips

1. Wire transfer requests:

1. Remember, wire transfers are just like sending cash!
2. If you receive an email requesting a wire transfer, expected or not, the best practice is to confirm the request through a trusted method.
 - a. Call the recipient for confirmation, but don't reply to the email as their email might have been compromised.
 - b. Check the email address for a misspelled, but similar address. Misspelled emails are a common way to mimic a legitimate address and to gain acceptance and approval.
3. Outlook settings can easily be changed. Confirm that no rules have been set to send emails to unknown locations or users.
4. Scammers will personalize their email and use a sense of urgency to speed up your response.

2. Slow down! Scammers create urgency and want you to act quickly.

- a. As stated above, verify authenticity using another method.

- b. Call the recipient using a published number other than what is found in the email.
- c. Implement a call return process. Whenever an ACH or wire transfer is initiated or changed, the two parties **MUST** talk via a phone call, never over email.

3. Stay informed about common scams and tactics.

- a. Talk to your IT staff about technological changes, risks, and vulnerabilities.

- b. Use encryption with email to avoid unauthorized access to accounts.
- c. Use two-factor authentication to limit access to authorized personnel.
- d. Report fraud using the FTC's website: reportfraud.ftc.gov.

Just remember to think before you click. We hope these tips will help you stay safe and secure with your financial dealings.



Linda Strong – Senior Associate,
Business Accounting



Mark Finstrom
Manager, IT



Payroll Services: Client & Accountant Responsibilities

By Jessica Harwood — Senior Associate, Business Accounting

When I start with a new payroll client, I like to lay out what the client can expect from me and my team, and what I will in turn expect from the client. It's important to note that enlisting KT to handle your payroll services does not preclude you from all parts of the payroll process.



Jessica Harwood – Senior Associate, Business Accounting

Effectively managing payroll is essential for any business. It guarantees that employees receive accurate and timely payments, while also ensuring adherence to various legal and regulatory requirements.

Below are some key responsibilities clients and accountants must handle when it comes to payroll processing.

Client Responsibilities:

- **Providing Accurate Employee Information:** Ensures all employee details, employment statuses, salaries, and tax information are accurate and up to date.
- **Timely Submission of Data:** Submits all necessary payroll data within agreed deadlines, including new hires, terminations, and salary changes.
- **Compliance with Legal Requirements:** Adheres to applicable laws and regulations, including minimum wage, overtime, and employment standards.
- **Approval of Payroll:** Reviews and approves payroll reports to ensure accuracy before processing.
- **Funding Payroll:** Ensures sufficient funds are available to cover payroll payments, including taxes and benefits.

- **Multi-Factor Authentication:** It is strongly recommended that employees use a multi-factor authentication tool when viewing personal information using a web-based application.

Accountant Responsibilities:

- **Accurate Payroll Processing:** Calculates gross and net pay, withholds taxes and other deductions, and processes payroll accurately and on time.
- **Compliance with Tax Laws:** Ensures payroll taxes are calculated correctly, and the appropriate amounts are withheld and filed with authorities.
- **Record Keeping:** Maintains secure, detailed records of payroll transactions, employee information, and tax filings.
- **Providing Reports:** Supplies clients with regular payroll reports detailing transactions, tax withholdings, and other relevant information.
- **Supporting Compliance:** Stays updated on tax law changes, advises clients on best practices, and ensures payroll processes adhere to legal requirements.

Our Extension Policy: Key Deadlines & Procedures

By Jess Weaver, CPA – Partner, Tax

Shared Responsibilities

- **Communication:** Maintain clear and prompt communication between each other regarding payroll changes, issues, and updates to business structure.
- **Confidentiality:** Protect the confidentiality of payroll information, ensuring security measures are in place.
- **Problem Resolution:** Work together to resolve any payroll discrepancies or issues promptly and effectively.

To Recap

Clients are responsible for providing accurate employee information, submitting data on time, complying with legal requirements, approving payroll, ensuring funds are available, and using multi-factor authentication.

Accountants handle accurate payroll processing, tax compliance, record keeping, reporting, and staying up to date with payroll tax law.

As you can see, it takes a collaborative effort between clients and accountants to effectively manage payroll. This partnership ensures that payroll is managed efficiently, accurately, and in compliance with all relevant laws and regulations.

At KT, our mission is to ensure your tax returns are completed accurately and on time. As one of the firm's Tax Partners, I want to share some essential updates to our extension process.

To help you receive a timely and accurately filed tax return or extension, we've set a new deadline for receiving your tax documents. If you desire to have your return filed by the April 15th tax deadline, we ask that you submit the majority of your documents to KT by March 16th. If we receive your documents after March 16th, we will proceed with filing an extension for your tax return. By extending, we can prepare your return comprehensively and accurately without rushing.

Extensions are a valuable option for both individuals and businesses with complex tax situations. While the extension does not provide extra time to pay taxes owed, it allows plenty of time to gather all necessary information and avoid any errors, ensuring that your return is complete and precise. Notably, there are no penalties for extending, making it a wise choice in many cases.

For those that provide a majority of documents after March 16th, our firm is committed to keeping you informed about any payment requirements that will be due by

April 15th. If it is determined that payment is needed, we will provide detailed instructions on how to make the payment, including the amount due, due date, and available payment options.

As a firm, we are available to answer any questions you may have and will assist you in ensuring that your payment is processed smoothly and on time. Following the April 15th tax deadline, we will diligently work to expeditiously complete and file extended tax returns.

I understand that gathering all required documents can be a time-consuming process, but rest assured, KT is here to help. I value your trust in our firm and look forward to continuing to serve you with the highest level of professionalism and care.



Jess Weaver, CPA
Partner, Tax

Why I Chose Accounting & KT

By Alex Kolbeck - Associate, Tax



Alex Kolbeck
Associate, Tax

As many high school seniors do, I spent many months searching for a scholarship to reduce my future college debt. This is where my introduction to accounting started - when I stumbled upon the Dakota Corp Scholarship. That and the advice given to me by family and relatives, most of whom were accountants and teachers.

I enrolled at the University of South Dakota and started classes at the Beacom School of Business in 2019. The understanding of how beneficial an accounting career could be for me set in when I was a sophomore. I quickly realized that many of my peers did not come to this same conclusion or have concrete plans for post-college. I, on the other hand, had a solid five-year outline.

This confidence and security gave me the liberty to be more involved in my community. I became involved with the Special Olympics Organization, the accounting honors society of Beta Alpha Psi, and the Big Pal, Little Pal Club.

However, I still had to decide where I wanted to go with my career. I had my

choices narrowed down to three firms in three different locations by the time I was a junior, and was fortunate to interview with all three, including KT.

I ended up choosing KT because they were as kind as they were smart. While interviewing with Jess Weaver and Josh Newman, I could tell the firm genuinely cared about my own career and well-being. And after my internship at KT, I realized how everyone had the flexibility to enjoy an active and healthy life outside of work.

I have since accepted a full-time position at KT and have been working here for three months. I enjoy knowing that I have co-workers I can ask tax questions on Tuesday and throw darts with on Friday.

My Road to Accounting & KT

By Taylor McSherry - Associate, Tax

Growing up with my father being a Financial Advisor, I knew that I wanted a career in the business realm like him. When I started college at the University of South Dakota's School of Business in 2020, similar to many other students, I wasn't exactly sure which route I wanted to take.

Then I took my first accounting class and realized that was what interested me most, so that is the route I chose. I continued my degree at Black Hills State University's School of Business where I graduated in May 2024 with my bachelor's degree in accounting with a focus in Professional Accountancy.



Taylor McSherry
Associate, Tax

Back in the fall of 2022, I began to look for accounting internships. I looked at a few places in Rapid City and ultimately landed at KT. I met with one of the partners locally, where they led me to an internship in the fall of 2022 with the Audit department.

At the same time in the fall of 2022, I participated in a program called IRS Volunteer Income Tax Assistance Program (VITA) through my tax class. VITA allowed me to gain firsthand

experience with real-world tax returns for citizens qualifying for assistance. The experience allowed me to see that I thoroughly enjoyed working in tax.

After finishing my Audit internship and discovering my new sudden love for tax, I lined up a tax internship with KT in the spring of 2023, and then again in 2024. And as of November 2024, I have a full-time position with KT as an associate in the Tax department.

Everyone always asks me, "Why go with KT? Why not explore other options?"

For me it came down to the atmosphere. Everyone at KT is incredibly welcoming and will help with any questions I have. They show appreciation for their employees, and are dedicated to making sure everyone feels included, valued, and an important part of our firm's mission.

NEW PARTNERS



Austin Eichacker, CPA
Partner, Audit Department

Specializes in hospitality, gaming and tribal casinos, and manufacturing and retail industries. Leads KT's Employee Benefit Plans team, Audit recruitment, and is enhancing the firm's Business Accounting Advisory services.

Kyle Kopren, CPA
Partner, Audit & Tax Department

Specializes in construction, manufacturing and retail, and employee benefit plan industries. Lead's KT's Construction team and Technology committee.



CONGRATULATIONS!

NEW HIRES - WELCOME!



Alex Kolbeck
Associate, Tax



Justine Martinez
Senior Associate, Tax



Taylor McSherry
Associate, Tax

Kellie Emigh
Senior Associate, Business

Brady Gillette
Associate, Tax

Mallory Handelin
Seasonal Admin, Tax

Kali Kallander
Seasonal Admin, Tax

Heather Kuzara
Executive Administrative Assistant,
Business Accounting

Jayden Reecy
Seasonal Admin, Tax

INTERNSHIPS - WELCOME!

Riley Bushnell
Business Accounting – Black Hills
State University

Jadyn Gackle
Business Accounting – Black Hills
State University

Kenli Herrera
Tax – Black Hills State University

Colby Jones
Tax – University of Wyoming

Sam Klein
Audit – University of South Dakota

Nadalyn Poss
Tax – Black Hills State University



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