





2024 Mandates: What Business Owners Need to Know

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MAINE SMALL BUSINESS DEVELOPMENT CENTERS







Purpose of this Presentation

- This webinar is an overview of the different mandates that are either in effect or will be in effect in 2024/2025 that business owners should be aware of. These include:
 - Corporate Transparency Act
 - Cyber Security Rules (CIRCIA)
 - 1099/W2 Reporting (including 1099-K)
 - Mandatory Retirement Laws
 - PTO and Minimum Wage
 - Family Leave Law

Note: A Copy of these slides is available upon request!



Who am I and Who do I Work For?

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The REAL Brains in this Presentation!

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THE CORPORATE TRANSPARENCY ACT (CTA)

The Anti-Money Laundering Act of 2020 (AMLA) established the Corporate Transparency Act (CTA), which requires FinCEN to establish and maintain a national registry of *beneficial owners* of entities that are considered to be *reporting companies*. Information collected pursuant to the CTA will be stored in a private database.

The CTA raises a number of issues for business lawyers, consultants and advisors who cause the formation of business entities for their clients because the CTA defines the term applicant as any individual who files an application to form an entity or registers a foreign entity to do business in the United States.

Reporting Companies

- The rule identifies two types of reporting companies: domestic and foreign. A domestic reporting company
 is a corporation, limited liability company (LLC), or any entity created by the filing of a document with a
 secretary of state or any similar office under the law of a state or Indian tribe. A foreign reporting company
 is a corporation, LLC, or other entity formed under the law of a foreign country that is registered to do
 business in any state or tribal jurisdiction by the filing of a document with a secretary of state or any similar
 office. Under the rule, and in keeping with the CTA, twenty-three types of entities are exempt from the
 definition of "reporting company."
- FinCEN expects that these definitions mean that reporting companies will include (subject to the applicability of specific exemptions) limited liability partnerships, limited liability limited partnerships, business trusts, and most limited partnerships, in addition to corporations and LLCs, because such entities are generally created by a filing with a secretary of state or similar office.
- Other types of legal entities, including certain trusts, are excluded from the definitions to the extent that
 they are not created by the filing of a document with a secretary of state or similar office. FinCEN recognizes
 that in many states the creation of most trusts typically does not involve the filing of such a formation
 document.

"Reporting Company" Exceptions:

The CTA provides numerous exceptions for entities from undergoing reporting, including those in a regulated industry (where existing regulatory regimens would already include beneficial ownership reporting), publicly traded companies, investment vehicles operated by investment advisors, nonprofits, and government entities.

There is also an exception from required reporting for an entity that:

- (1) employs more than twenty employees;
- (2) filed in the previous year a tax return demonstrating more than \$5 million in gross receipts or sales; and
- (3) 22 other exemptions listed in CTA Section 6403(a).

Moreover, entities that are subsidiaries of such excluded companies are also exempted from these reporting requirements.

"Beneficial Owner" definition:

- The CTA defines a "beneficial owner" of an entity as an individual who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise
 - 1) exercises *substantial control* (not defined in the CTA) over the entity, or
 - 2) owns or controls not less than 25 percent of the ownership interests of the entity.

"Beneficial Owner" Exclusions:

- Thee CTA expressly excludes certain individuals from the definition of "Beneficial Ownership" including:
 - (1) A minor child (as long as the child's parent's or guardian's information is reported);
 - (2) An individual acting as an intermediary or agent on behalf another;
 - (3) A person whose control over a reporting company derives solely from their employment;
 - (4) An individual whose only interest in a reporting company is through a right of inheritance; or
 - (5) A creditor of a reporting company (unless they qualify as a "beneficial owner" through substantial control or equity ownership).

What Information is reported to FinCEN. And what the heck is FinCEN?

- FinCEN stands for "Financial Crimes Enforcement Network" which is operated under the U.S.
 Treasury Department and whose mission is to safeguard the financial system from illicit use,
 combat money laundering and its related crimes including terrorism, and promote national
 security through the strategic use of financial authorities and the collection, analysis, and
 dissemination of financial intelligence.
- Businesses that fall under the definition of the "Reporting Company" must provide each Beneficial Owner's name, date of birth, residential or business address, and a unique identifying number from an acceptable identification document (driver's license or passport).

Timing

- The effective date for the rule is January 1, 2024.
- Reporting companies created or registered before January 1, 2024 will have one year (until January 1, 2025) to file their initial reports, while reporting companies created or registered after January 1, 2024, will have 30 days after receiving notice of their creation or registration to file their initial reports.
- Reporting companies have 30 days to report changes to the information in their previously filed reports and must correct inaccurate information in previously filed reports within 30 days of when the reporting company becomes aware or has reason to know of the inaccuracy of information in earlier reports.



CIRCA — What is it and how does it affect us?

 Signed into law in March of 2022, CIRCIA requires owners and operators of critical infrastructure to report cyber incidents to the U.S. Department of Homeland Security (DHS) Cybersecurity and Infrastructure Security Agency (CISA) within 72 hours and ransomware payments within 24 hours. Does my business fall under "critical infrastructure?"

 CIRCIA requires "Covered Entities" to report a "Covered Cyber Incident" to the Cybersecurity and Infrastructure Security Agency (CISA) within 72 hours after it reasonable believes a covered cyber incident has occurred.



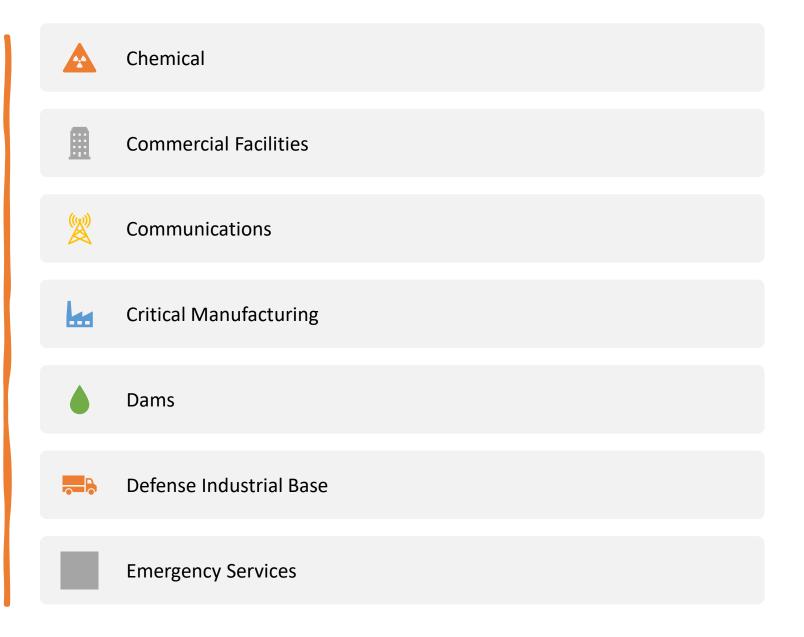
Will my business be considered a "Covered Entity?"



Covered Entities

- CIRCIA does not specifically define "covered entities;" rather, it provides minimum parameters for these definitions and requires CISA to provide a clearer description of the types of entities that constitute "covered entities" through its rulemaking powers.
- Presently, it would be reasonable to assume your business is a "covered entity" if it falls within one of the 16 critical infrastructure sectors listed in Presidential Policy Directive 21.

Critical Infrastructure Sectors



Critical Infrastructure Sectors continued.

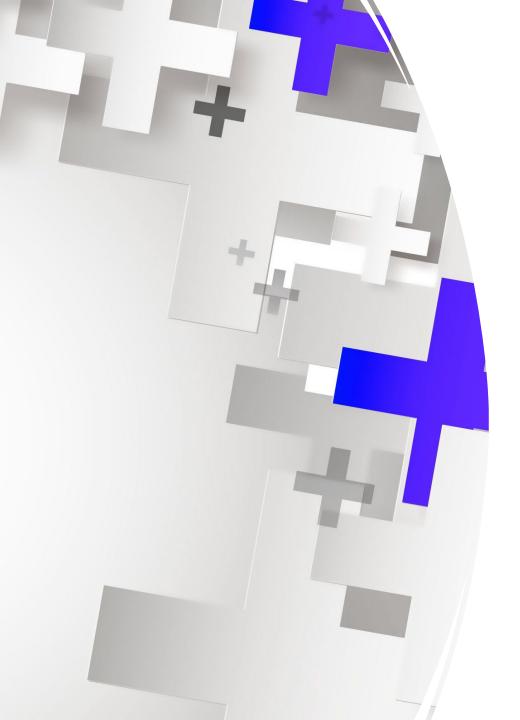
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- Transportation Systems
- Water and Wastewater Systems





Covered Cyber Incidents

- CIRCIA defines "Covered Cyber Incident" as a "substantial cyber incident experienced by a covered entity that satisfies the definition and criteria established by the Director in the final rule..." Gee thanks, that is helpful!!
- Although the law does not define "substantial," it does define a
 "cyber incident," which is an "occurrence that actually or
 imminently jeopardizes, without lawful authority, the integrity,
 confidentiality, or availability of information on an information
 system, or an occurrence that actually or imminently jeopardizes
 the information system itself.
- The law requires CISA, through its rulemaking power, to provide a clear description of the type of substantial cyber incidents that constitutes a "Covered Cyber Incident."



CIRCIA Key Takeaways

- Without knowing CISA's proposed rules, owners and operators of critical infrastructure businesses will not know if they will qualify as "Covered Entities."
- Although reporting requirements and obligations will not become effective until CISA promulgates agency rules, all critical infrastructure should take steps to prepare for this law by creating or updating cyber incident response plans.

The Next Few Slides Will Get Into Employee and Tax Changes

Always consult with your lawyer, accountant, or payroll professional!

This is just an overview!

1099-K Forms Payment Apps, Online Marketplace, Third Party Settlements

The American Rescue Plan Act of 2021 strove to change the reporting requirements payments for any:

- Goods you sell, including personal items such as clothing or furniture
- Services you provide
- Property you rent
- NOT personal payments from Friends and Family

Who is reporting?

- The payments can be made through any:
 - Payment app
 - Online community marketplace
 - Craft or maker marketplace
 - Auction site
 - Car sharing or ride-hailing platform
 - Ticket exchange or resale site
 - Crowdfunding platform
 - Freelance marketplace

What are the threshold levels?

Tax Year 2023 – \$20,000 or 200 transactions

Tax Year 2024 – \$5,000

Tax Year 2025 — \$600

Note – The IRS advises you to report any earned income regardless if it is under the threshold amount

The OTHER 1099 (and W2) Change

What – The IRS has reduced the required electronic filing threshold from 250 returns to 10

- If you file 10 or more W2 or 1099 forms (in aggregate) you will need to file them electronically unless you get an exemption/ waiver from the IRS
- You must also file with Maine Revenue Service as well! (Maine Tax Portal)

Deadline for filing is January 31

** Allow 2 Weeks **





Maine Retirement Savings Program

- On June 24, 2021, Governor Mills signed this into law
- Mandatory Retirement Savings Offered by Any Employer with 5 or more Employees in Maine
 - Employees need to Opt OUT, otherwise it is automatic
- Before we get too scared This is administered through a FREE portal with no employer contribution required
- Also NOTE the Attorney General is still reviewing the Final Rule
- Resource: https://www.verrill-law.com/benefits-lawupdate/maines-mandatory-retirement-savingsprogram-what-employers-need-to-know#_ftn2

What is it?

- It requires "Covered Employers" to register with MERIT, onboard "covered employees" with MERIT, and process payroll deductions to the program administrator.
 - A Covered Employer is:
 - any person or entity engaged in a business, industry, profession, trade or other enterprise in Maine, whether for profit or not for profit, that has not offered to some or all of its Covered Employees at any time within the current calendar year or the two preceding calendar years a taxfavored retirement plan.
 - A tax-favored retirement plan is a 401(k) plan, 403(b) plan, 401(a) plan (e.g., a tax-qualified profit-sharing plan or pension plan), a 457(b) plan, a 403(a) tax-qualified annuity plan, a SEP IRA, or a SIMPLE IRA.

Exemptions:

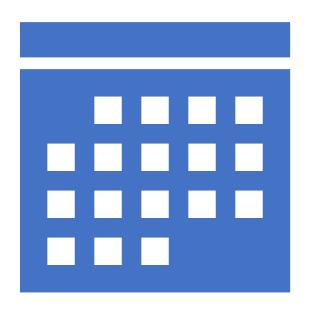
- Employer with fewer than 5 Covered Employees
- Employer that has not been in business during both the current calendar year and the preceding calendar year
- Employer that does not offer to some or all of its Covered Employees a tax favored retirement plan at anytime during the current year or two preceding calendar years.



Who is a Covered Employee?

- 18 or older
- Works for a Covered Employer with wages in Maine
- Part-time and temporary employees are taken into account for purposes of determining whether an employer has fewer than five Covered Employees
- Seasonal employees employed by a Covered Employer for at least 120 days must be registered with MERIT

What are the Roll Out Dates?



- 15+ employees: April 30, 2024
- 5 to 14 employees: June 30, 2024
 - Employers that become Covered Employers after December 31, 2024 must register with MERIT within twelve months of becoming a Covered Employer.
 - To register, Covered Employers will use a portal on MaineSaves.org.
 - If an employer that is not a Covered Employer receives a notice from MERIT directing it to register, it should provide an exemption certification on the portal

What am I going to be asked for Registration?

Employer must do an initial registration and then a registration for each covered Employee (no more than 120 days after hire)

Employer Information:

- Business Name
- Tax ID
- Mailing Address
- ***Point of Contact***
- Any additional information

Employee Information (W4/I9):

- Legal Name
- Social Security or Tax ID
- Date of Birth
- Mailing Address, Contact Info
- Any additional information

https://meritsaves.org/



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MERIT

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Any Other Responsibilities?

- Withhold and Remit the Covered Employees portion:
 - Default is 5% of wages first year, with 1% increase each Calendar year (if employed for at least 6 months prior) up to a maximum of 10%
 - Covered Employee will have a Roth (after-tax) IRA when they set up their account through MERIT
 - Target Dated Funds for Retirement Purposes
 - Small Fee is deducted from Employee to cover costs
 - Funds follow the employee
 - NOTE: Employers are NOT allowed to make Employer Contributions on behalf of the employee under MERIT
- Your Payroll Processor should be able to help you



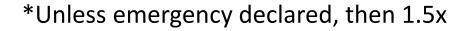
Penalties?

- There are penalties for employer noncompliance regarding registration, including:
- \$20 per employee between July 1, 2025 and June 30, 2026
- \$50 per employee between July 1, 2026 and June 30, 2027
- \$100 per employee on or after July 1, 2027

State Minimum Wage -

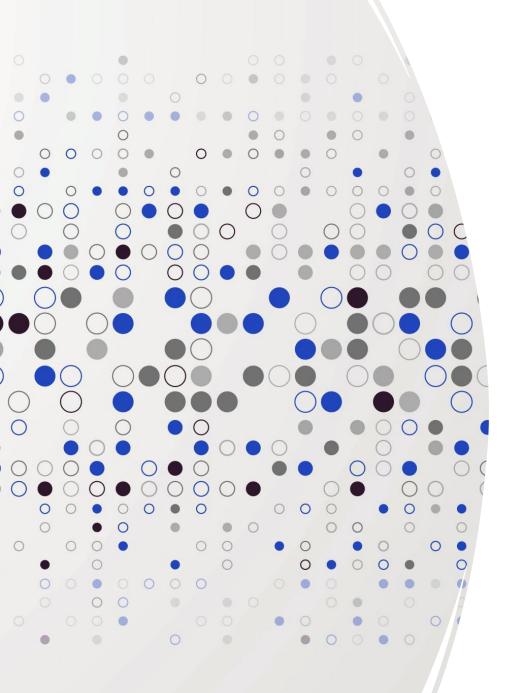
Effective January 1, 2024:

	Min. Wage	Direct Service Min Wage
Maine:	\$14.15	\$7.08
Portland:	\$15.00*	\$7.50**
Rockland:	\$15.00	\$7.50**



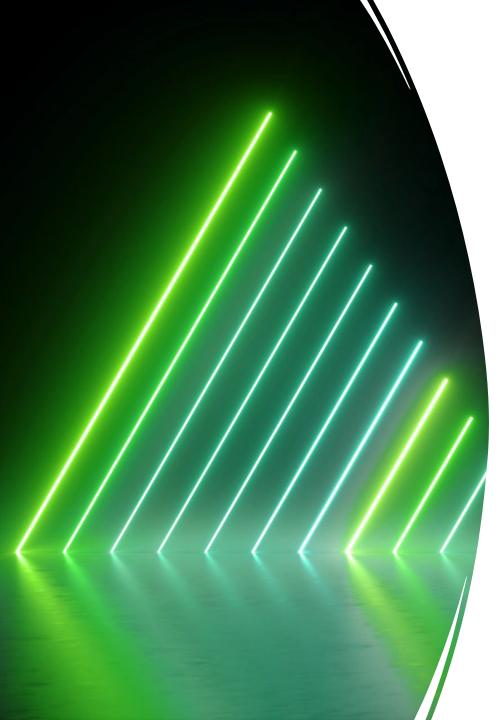
**Unless wages including tips are less than minimum wage, then employer makes up difference





Maine's Earned Paid Leave Law (PTO)

- Effective January 1, 2021
- Includes all industries except seasonal industries
- Applies to Employers with more than 10 employees for more than 120 days in any Calendar Year
 - Includes all employees FT, PT, Temporary, Per Diem, etc
- Employees accrue 1 hour of PTO for every 40 hours worked (up to 40 Hrs)
 - Employees can rollover up to 40 hours from one year to the next



Interesting Notes for Employers:

- Employers can apply a 120 day wait period before new employees can use their accrued leave
- Employees MAY be required to give up to 4 weeks advanced notice to use (unless emergency, illness, or sudden necessity)
- Employers can use discretion to front load PTO at beginning of year
- At the separation of employment, if the employer allowed employee to use unaccrued time, they can withhold from last paycheck

Maine Paid Family Medical Leave (PFML)



- Payroll Contributions will begin January 1, 2025
 - 1% mandatory premium based off wages
 - 0.5% from Employer
 - 0.5% from Employee
 - Employers with under 12 employees are exempt from the 0.5% Employer contribution
 - Self Employed can voluntarily participate in the program if they wish
- Benefits will begin May 1, 2026
 - 12 Weeks over a 1 Year Period

Employee Reasons for Taking Leave?

- To bond with the covered individual's child during the first 12 months after the child's birth or the first 12 months after the placement of the child for adoption or foster care with the covered individual;
- To care for a family member (which includes individuals with significant personal bonds like a
 family relationship regardless of biological or legal relationship) with a serious health condition
 (defined as an illness, injury, impairment, pregnancy, recovery from childbirth or physical, mental,
 or psychological condition that involves inpatient care in a hospital, hospice, or residential
 medical care center or continuing treatment by a healthcare provider);
- To attend to a qualifying exigency;
- To care for a family member of the covered individual who is a covered service member;
- To take safe leave;
- A serious health condition of the employee;
- The birth of the employee's child or the employee's domestic partner's child;
- The placement of a child 16 years of age or younger with the employee or with the employee's domestic partner in connection with the adoption of the child by the employee or the employee's domestic partner;
- A child, domestic partner's child, grandchild, domestic partner's grandchild, parent, domestic partner, sibling, or spouse with a serious health condition;
- The donation of an organ of that employee for a human organ transplant; or
- The death or serious health condition of the employee's spouse, domestic partner, parent, sibling, or child if the spouse, domestic partner, parent, sibling, or child as a member of the state military forces, as defined in Title 37-B, section 102, or the United States Armed Forces, including the National Guard and Reserves, dies or incurs a serious health condition while on active duty.

Summary

Corporate
Transparency Act

Cyber Security Rules (CIRCIA)

1099/W2 Reporting (including 1099-K)

Mandatory Retirement Laws PTO and Minimum Wage

Family Leave Law (2025)

Thank you!...
Questions?

