

W-2 & 1099 time

It's time to prepare W-2's for employees and 1099's for outside service providers.

Remember that there are penalties for inaccurate information, so check your records for accurate (including spelling):

- Payee first and last names
- Addresses
- Social Security Numbers

If you are missing any information, give a W-9 form to the payee to complete. If in doubt, send a W-9. You can download a printable W-9 form at www.irs.gov/pub/irs-pdf/fw9.pdf, or call our office and we will send one to you.

W-2's and 1099's need to be out to workers by Jan. 31, and also be filed with the government by Jan. 31. During the past year, we have seen penalties imposed for missing or inaccurate forms.

The 1099 forms are required for payments of \$600 or more to non-incorporated entities (including LLC's) for rent, interest paid or services rendered.

Annual sales tax licenses

Most businesses received the bill for the \$20 Municipal Tax License fee with the ADOR annual license renewal in mid-December. That fee and the no-cost state license renewal are handled by ADOR. If you need help with the forms, please turn it in with your December work so we can fill it out and send it back.

The City of Tucson's \$50 annual business license fee is billed separately and must be paid to the city, not to the state along with state fee. It can be paid by mail, at a city cashier, or online at tucsonaz.gov/inet.

Mileage rate rises

IRS raised the mileage rate for business use in 2019 by 3½¢ to 58 cents per mile.

Medical and moving travel rates also climb 2¢ to 20¢ for 2019. Most moving is no longer deductible.

Driving for charity work remains at 14¢. It is fixed by legislation, rather than by an annual cost study used for the other types of mileage.

Quick facts for 2019

-- Maximum earnings **taxable for Social Security** is \$132,900, up from \$128,700 in 2018.

-- **401(k)** contribution limit rises \$500 to \$19,000, and catch-up is still \$6,000.

-- **IRA** contribution limit increases to \$6,000, with catch-up \$1,000 more.

-- **Roth IRA** contributions phase out between \$122,000 and \$137,000 for singles

and heads of household, \$193,000-\$203,000 for married couples filing jointly.

-- Maximum **SEP** contribution for 2019 is \$56,000, up \$1,000 from 2018.

— Maximum HSA contribution: \$3,500 self, \$7,000 family coverage.

Wealth tops \$109 trillion

Americans' net worth reached a record \$109 billion by September, 2018, the Federal Reserve said.

The stock market (which since has slumped) added \$1.2 trillion to Americans' holdings. Home value increased \$200 billion.

In case you're rusty on huge numbers, a trillion is a thousand billions, or a million millions.



\$11 billion price tag

The 35-day partial shutdown of the federal government during late December and most of January cost about \$11 billion and trimmed the U.S. economy's forecast for 2019.

The nonpartisan Congressional Budget Office said most of that will be recovered, but expects that \$3 billion will be lost permanently.

In addition to the lost spending by furloughed federal workers, the shutdown delayed federal spending for goods and services.

The five-week shutdown also kept businesses from obtaining federal permits and loans. The CBO report noted that "Such factors were probably beginning to lead firms to postpone investment and hiring decisions."

Another impact not measured in the report may be the loss of qualified federal employees. The IRS reported that it lost 25 computer personnel each week as they landed other jobs.

Most innovative

When it comes to innovation, South Korea leads the world, according to the 2019 Bloomberg Innovation Index.

The annual index rates countries on dozens of criteria, from patent activity to research and development spending.

The United States moved up to eighth place, after education scores had pushed it out of the top 10 last year.

Germany took second place, while Sweden, the 2018 runner-up, dropped to seventh.

Behind Germany was Finland, then Switzerland, Israel and Singapore.

Despite being second in number of patents issued, China ranked 16th, mostly because it lags in productivity. The U.K. came in at 18, followed by Australia and Canada.

Money, money

About 42% of adults aren't saving for retirement at all, according to a new report by the Center for Financial Services Innovation.

That worries financial experts, because Social Security isn't likely to be enough to support retirees. While some expenses can go down in retirement, some major ones like healthcare and home maintenance, utilities and property taxes are likely to climb.

And, don't count on a big tax refund this year to stuff your nest egg. IRS expects more people to owe this year.

Economists note that the reduced withholding in 2018 has given much of the tax breaks to Americans already.

While some people put their refunds into savings, many either spend it or pay off bills. Smaller refunds could mean fewer sales for small businesses.

So that leaves the lottery ... but don't count on it either. The New York truck driver who won the \$298 million (\$114 million after taxes) Powerball just after Christmas is quitting his job and going to buy a new home and a red Porsche.

"Shark Tank" investor Kevin O'Leary says that "blowing through hundreds of millions of dollars might seem like an impossible task, but it can happen quick with bad habits."

Nearly one-third of all lottery winners eventually declare bankruptcy due to poor money management, according to the Certified Financial Planners Board.



Don't believe it?

Although many economists called 2018 a growth year, federal statistics reported the largest drop in holiday season retail sales since 2009.

While doomsayers suggest that is the beginning of a downturn, some analysts note that the statistics for December were more a result of incomplete data due to the government shutdown. The bureau that compiles retail sales figures was closed from late December through much of January.

So far this year, retail sales have risen an average of 0.4% per month.



4-day workweek

A company that cut its workweek to four days found the move resulted in a 20% rise in productivity, appeared to have helped increase profits and improved staff wellbeing.

Perpetual Guardian of New Zealand switched its 240 staff from a five-day to a four-day, 32-hour week last November and maintained their pay. Productivity increased in the four days they worked so there was no drop in the amount of work done, a recently released study revealed.

Employees reported less stress and burnout. The extra day also allowed them to take care of errands and personal responsibilities without taking time away from work.

In the U.S., a 4-day -- or compressed 40-hour -- workweek is offered as an option to at least some employees at 43% of companies, says the Society for Human Resource Management. But only 10% of those companies make it available to all or most of their employees.

It's a perk more likely to be found at small companies.

The head of a small U.S. firm noted the 10-hour, four-day weeks let his staff concentrate on a project for longer periods of

time uninterrupted. It's also a talent acquisition and retention tool, because none of his competitors offer a four-day workweek.

A four-day workweek can take a variety of forms: four eight-hour days or four-ten-hour days. Some companies choose to operate for just four days a week, while others may be open five to seven days a week and either schedule staff which days to work (common in hospitals) or let them choose their preferred schedule.

Some employers give workers the option to choose a four-day or five-day workweek. In Arizona, some offices go onto a four-day workweek in the summer to save on air conditioning costs.

Broke millennials

Many millennials struggle financially more than their baby boomer parents because they are violating the controversial "success sequence," a new analysis of Bureau of Labor Statistics data says.

The concept of a success sequence was proposed a decade ago by the conservative think tank Brookings Institute. It suggests young adults do these steps in order:

1. Complete at least a high-school diploma.
2. Get a full-time job.
3. Marry before having kids.

New analysis found that 86 percent of young people who did all three steps have middle or upper incomes by the time they are 28 to 34 years old. Only 53 percent of those who had children before marriage and age 21 made it into middle class.

A record 55 percent of millennial parents have had children before getting married -- compared to 25 percent of the youngest baby boomers who did the same, the American Enterprise Institute found.

The Bezos way

Speed in making decisions can make the difference between being successful or not. Business people know that, and yet often are hamstrung in making decisions about their companies.

That often comes from thinking that gathering as much information as possible will help make the best decisions. Amazon founder Jeff Bezos takes a different approach. He categorizes decisions as reversible or irreversible.

"Some decisions are consequential and irreversible or nearly irreversible -- one-way doors -- and these decisions must be made methodically, carefully, slowly, with great deliberation and consultation," Bezos explained.

"But most decisions aren't like that -- they are changeable, reversible -- they're two-way doors. [These] decisions can and should be made quickly."

Bezos thinks that 70 percent of business decisions are reversible. He notes that reversible decisions are not an excuse to act reckless or be ill-informed, but simply that you don't have to live long-term with the consequences if they don't work out.

He notes that as organizations become more established, they tend to apply irreversible decision-making to most decisions, which is why start-ups often have competitive edges.

Risk aversion is natural for business owners. They often feel any change puts what they have achieved in danger. Applying the Bezos concept may help any size business from becoming stalemated.

Egg on your Facebook

A Lithuanian man scammed \$99 million from Facebook and \$23 million from

Google over a three-year period. He pled guilty to U.S. wire fraud last month.

He registered a company in Lithuania with the same name as a major Taiwanese computer manufacturer and then sent fake invoices to the American companies.

Apparently nobody checked to see if the bills matched corporate purchase orders.

Which is it?

A sole proprietor bought vacant land where he intended to build office space for his software firm. However, loss of a major client kept him from building.

His tax returns reported mortgage interest for the property on his Schedule C. The IRS balked, saying the land was never actually used by the business. Instead, IRS considered it personal interest, which is not deductible.

The Tax Court disagreed, finding that the land did not fit the definition of either investment or personal use property. The court allowed the interest on the Schedule C, ruling that the property was "allocable to the business."

296 fewer regs

The IRS is dropping 296 tax regulations and amending 79 more.

Among the deleted rules are ones where the governing law has been repealed. Some are for procedures where the law has been changed significantly but the regulations had not been updated. Others are for expired provisions (in one case, for returns filed before 1996) and temporary rules which have expired.

The revamp will make the IRS' rulebook a little slimmer, but don't expect it to greatly simplify your tax life.



Skipping the grocery

The year 2010 marked the first time Americans dined out more than ate at home. That's good news for restaurants, and bad news for grocery stores.

That trend started in the 1960's and has been accelerating.

Millennials spend less time preparing food than any other age group, according to U.S. Department of Agriculture research. Even when they do eat at home, they are more likely to eat carry-out, delivery or fast food.

Grocery stores traditionally are utilitarian, focused on selection and low price. The arrival of Walmart, Target and Amazon in the grocery market have stirred a new aspect of convenience that traditional grocers can't compete with.

What does eating out offer that grocery stores, even Walmart, don't? Experience for one -- ambiance. Dining out, even on the go, can also provide social interaction -- connections that are shrinking in the digital age.

On being low-priced

"Trying to be 'affordable' nearly killed our company," says Matt Clark, cofounder of Amazing.com.

"I learned that people don't care about price as much as they care about value... People buy from you to fulfill a desire or solve a problem.

"Deliver what your customers value. A better product leads to happier, more committed customers ... which drives sales."

HSA boom

Health Savings Accounts (HSA's) have continued a quiet climb in popularity. More than 25 million Americans had



HSA's at the end of 2018, a 13 percent increase from 2017.

An HSA is a tax-advantaged account designed to hold money for medical expenses. It can be either a savings account or an investment account.

Contributions to an HSA are pre-tax, so you get a tax break when you put money in. The deposits grow tax-free, and withdrawals are tax-free as well as long as they are used to pay for qualified medical expenses.

HSA's are intended for people with high-deductible insurance plans. They can pay for the expenses that go toward the deductible, before the insurance kicks in.

Beyond e-commerce

In China, Gen-Z consumers are flocking to what may replace conventional e-commerce. It's social-media platforms that are also e-commerce portals.

Generation Z -- people born after 1996 -- is glued to its smartphones. Increasingly those affluent 20-somethings are buying online, but not as much at the usual e-commerce sites like Alibaba, the Chinese version of Amazon.

Instead, they are relying on "influencers" -- opinion leaders who blog or podcast. When these social media celebrities endorse products, followers click on embedded links to buy and the products fly out the door.

Chinese internet celebrity Zhang Dayi boasted in 2017 that she out-earns Kim Kardashian West. She pushes her own labels, asking fans for real-time feedback on styles and customizing products in small production runs.

The influencer trend may give brick and mortar retailers fresh opportunities to market specialized goods that are not price-sensitive commodities.

New TPT penalty for late filing

New — a minimum \$25 late fee for any TPT return not filed on time. That's even for \$0 tax liability.

The penalty is 4½ percent or \$25, whichever is greater, for each month or fraction of a month the return is filed after the due date.

File a zero tax due return two months and a week late, and you'll face a \$75 penalty.

Provide your sales figures to us as early as possible. Under these new rules, even a return with all food for home consumption or all labor/service income will still have a penalty if filed late.

Firms that are required to file electronically but continue to file paper returns will be charged a penalty of 10 percent of the tax due.

In an effort to combat shrinking sales tax revenues, the Arizona Department of Revenue has raised its penalties. We'll cover more about declining tax receipts and online out-of-state sales in a coming issue.

TPT returns are due the 20th of the month following the end of the tax period. (They're due the following Monday if the 20th falls on a weekend.) Paper returns must be received by AzDOR two business days before the end of the month, while electronic returns can be filed on the last day of the month.

How often you have to file TPT returns depends on your estimated annual combined total (state, city, county) tax liability:

- Annual: less than \$2,000 tax liability
- Quarterly: \$2,000-\$8,000
- Monthly: More than \$8,000

All Transaction Privilege Tax (TPT) returns are now filed with AzDOR -- state, municipal and county taxes.

DES ends mailing forms

Unemployment Tax & Wage Report (UC-018) forms are no longer being mailed by the Arizona Department of Economic Security. *Don't wait for the form to arrive to turn in your wage information.*

Reports still can be filed on paper or electronically. For most employers, we will continue to generate paper unemployment tax reports.

Businesses with larger numbers of employees can bulk upload wage reports and make payments through the Arizona UI Reporting for Employers (AZURE) system at www.azuitax.gov.

If you're not sure how to get started, please contact our office.

E-file withholding and sales taxes, too

Withholding for employees, Transaction Privilege ("sales") Tax and corporate estimated taxes can be filed electronically with the Arizona Department of Revenue.

The state is pushing electronic filing because

- Faster processing with fewer errors
- Strengthens fraud prevention measures
- Enhance accounting credit saves money for taxpayers

Some taxpayers are required to file electronically:

- Transaction Privilege Tax -- TPT of \$10,000 or more in the previous year
- Withholding tax liability: average quarterly withholding of \$2,500 or more during the prior year
- Corporate estimated tax -- \$10,000 or more prior corporate tax



AZ conforms

After most Arizonans filed their 2018 tax returns, the state legislature passed a "conformity" bill in late May. Conformity means that the state tax code follows the federal rules.

Arizona went into filing season this year as one of four states that still stuck to the pre-reform federal tax law. By using the federal adjusted gross income (AGI) but not making changes, the stall caused a tax increase for Arizonans.

As a result, the state collected an estimated \$155 million more this tax season. The conformity law lets the state keep that money to pay down state debts.

Beginning with 2019, the conformity law provides tax rate cuts, a higher standard deduction and a new \$100 child tax credit.

Arizona's conformity drops personal and dependent exemptions but raises the standard deduction to match the federal standard deduction. It also cuts out one tax bracket, so the four brackets for 2019 range from 2.59% to 4.50%.

The conformity measures roughly restore Arizona income taxes to what they were before the federal Tax Cuts & Jobs Act (TCJA) tax reform. It will also let state politicians boast of a 27 percent tax cut from 2018 levels.

Made in ??

A majority of U.S. customers prefer to purchase an "American made" vehicle. However, of the top 15 cars that contribute most to the American economy, only Ford's F-150 made the list as from a U.S. based company.

The most American-made vehicle in 2019 is the Jeep Cherokee, according to

Cars.com. While it is built in Belvidere, IL, Jeep is owned by Italian-American car-maker Fiat Chrysler.

The annual ranking is based on criteria such as the number of factory jobs and where parts are sourced.

Start-ups lagging

Until the last five years, the U.S. was the unquestioned leader in high-technology start-up companies -- Intel, Apple, Amazon and numerous others.

Now, just over half of venture capital backed startups take place in America, according to research by CityLab.

Venture capital investment in the U.S. continues to rise -- to more than \$90 billion in 2017. However, investments in other countries -- primarily in Asia, India and Europe -- are growing at more than double the U.S. rate.

China has jumped the most, expanding from four percent of global venture capital in 2005 to nearly a quarter in 2017. Beijing now ranks behind San Francisco for top cities for venture capital investment ... and ahead of Number 3 New York City.

Paycheck Checkup

IRS is urging workers to check their withholding now. Last year, an adjustment to the withholding tables left many Americans with too little taken out and sizable tax bills Apr. 15.

The IRS is showing a draft version of a simpler W-4 form for next year, but this year is sticking with a more complicated method. Workers can use the IRS' online calculator at <https://apps.irs.gov/app/withholdingcalculator/>



AI will take "first jobs"

Many of the "first jobs" young people hold are likely to be taken over by artificial intelligence, according to the Brookings Institution.

Some 49% of workers aged 16-24 are at risk of losing their jobs. "Gen Z" workers are on the hook because more than 70% of their current skills can be automated.

They represent about 9% of the workforce but are nearly 40% of the cashiers and waiters and nearly 25% of retail salespeople.

About 45% of the Tucson metro area's 375,000 jobs are vulnerable, the study says. Jobs where tasks are routine either physically or mentally are most easily filled by robots, kiosks or other automation.

A study by the McKinsey Global Institute named these jobs as the most likely where automation will replace people:

- Retail clerks
- Data analysts
- Fast-food workers
- Truck, taxi and delivery drivers
- Security guards
- Front-line soldiers

Got enough time?

Everybody seems to feel pressed for time. Yet research finds that people who are busy tend to be happier than those who are idle.

So where is the line between going crazy and relaxing? Researchers have found it has to do with "discretionary time" -- time to do what you want.

The research discovered that for employed people, their satisfaction with life

peaked when they had about 2½ hours of free time a day. For people who didn't work, the optimal amount was four hours and 45 minutes.

Family commitments (as parents of any newborn will attest) and control over work schedule seem to be the leading factors preventing more discretionary time.

More isn't necessarily better. Free time might be less fulfilling if it can't be spent with others. For example, early retirees might find their friends are all working, so there's nobody to play golf with.

Audits coming back?

IRS audits hit a ten-year low in fiscal year 2018, but that may be turning around this year.

After years of hiring freezes and retirements by IRS staffers, the first class of new IRS auditors recently completed training and have moved into field offices.

While it will take several more years of recruiting to fill the IRS' depleted ranks, taxpayers may see the impact of additional, eager auditors starting this year.

In 2018, IRS audited 892,000 individual returns out of 150 million returns filed, for an audit rate of 0.6%. S-corporations and partnerships had a 0.2% audit rate.

The Taxpayer Advocate points out the "real" audit rate for individuals is more like 6.2%, when computerized correction letters and other correspondence is counted. To most taxpayers, getting any letter from IRS asking for more money feels like an audit.



Single working women juice US economy

Single working women make up 41 percent of the working women ages 25 to 44 in the country, according to research by Morgan Stanley.

Single women outspend married women, the research notes. Apparel and footwear, personal care, food, luxury items and electric vehicles are the products most likely to benefit from the demographic shift.

As the workforce changes, employers will have to rethink how they support employees. One of the biggest barriers that remains for female workers is access to childcare, according to the Brookings Institution.



Hang with billionaires

If you want to hang out with billionaires, not mere millionaires, move to San Francisco.

One out of every 11,600 people in San Francisco is a billionaire, according to the Wealth-X 2019 Billionaire Census. In second place New York City, there's a mere one billionaire for every 81,000 people.

There are more American billionaires than ever before. The number of billionaires in the U.S. rose four percent last year while worldwide their numbers dropped five percent to 2,604 individuals.

Arizona 3rd for GDP growth

The latest figures for Arizona's Gross Domestic Product (GDP) show 4.3 percent growth, placing the state behind only Washington and Utah. GDP is a leading measure of economic strength.

Nationally, GDP averaged 2.6 percent in the last quarter of 2018, according to

the University of Arizona's Economic and Business Research Center.

The 8 states of America

By 2040, eight states will be home for half the U.S. population. The next eight most populous states will have another 20 percent of the population, according to a university of Virginia analysis.

Arizona, with a current population of 7.3 million, is expected to top 9 million by 2040. Arizona along with Colorado and Texas are the only western states among the 16 that are not on the Pacific coast.

California, currently with 40.4 million residents, tops the list, followed by Texas and then New York.

Roughly two-thirds -- 4.7 million -- of Arizona's population is in the metro Phoenix area, which spans from San Tan to Wickenburg.

The census bureau defines all of Pima County as the Tucson metro area, with a population just over 1 million. Slightly over half -- 536,000 people in 2017 -- were in the Tucson city limits.

Arizona trades worldwide

Arizona sends exports all over the world. While Mexico ranks as Arizona's top trading partner, the portion of Arizona exports to Mexico have declined in the last three years, to 34 percent in 2018 from 40 percent in 2015.

In 2018, Arizona exported \$7.65 billion of goods to Mexico, followed by \$2.1 billion to Canada, \$1.2 billion to China, \$928 million to the United Kingdom, and \$753 million to Japan.

On the flip side, Arizona imported \$9 billion in goods from Mexico last year, \$3.4 billion from China and \$1.5 billion from Canada.

If I had time

Super busy is a new status symbol, according to research from Columbia university. Busy people are perceived as being more competent and in demand. Bragging about how busy they are signals that they are valued.

But there's a trade-off, where being too busy becomes exhausting and leads to burn-out. So where's the balance?

Two and a half hours a day. That's the magic number for free time discovered by UCLA research. Workers' satisfaction with life peaked when they had about 2½ hours a day where they could do what they want.

Surprisingly, more is not better. After the time-crunch stress goes away, having more time leads people to feel less productive and unfulfilled.

Greater leisure time can let people feel useless and not desirable, observes time usage analyst Daniel Hamermesh.

Being a slacker

The busy balance in business ties into a theory called Slack Resources (or Resource Slack).

Every sleep-deprived parent of a newborn implicitly understands the concept: you just need a little time free of commitments to do essential things.

The business equivalent: a machine that runs 24 hours a day has no time to be oiled or cleaned, and no way to have refinements done that could improve productivity.

Considerable research has been done about slack resources and efficiency, often without conclusive results.



Slack resources, however, are vital for innovation. Uncommitted time is essential for pondering possibilities and experimenting with new ways of doing things.

Some tech companies in particular view slack resources -- time, technology, talent -- as essential to maintaining a competitive advantage.

Researchers have identified three kinds of slack: available, recoverable and potential.

Excuse me...

Interruptions trash productivity, too. Author Jonathan Spira estimates that interruptions and information overload eat up 28 billion wasted hours a year, at a loss of almost \$1 trillion to the U.S. economy.

Research found the typical office worker is interrupted on the average every three minutes and five seconds.

To make it even worse, it can take 23 minutes and 15 seconds just to get back to where they left off.

Even a simple distraction from concentrating on what you're doing, such as a notification ping on a smartphone, can gobble much more time than the interruption itself.

Workflow consultant Edward G. Brown notes that the barrage of interruptions cause stress at meeting deadlines, lower morale as a result of that stress, errors and redo's, and loss of momentum.

Certainly, someone stopping by to ask if you saw some TV show last night damages productivity. Experts suggest, however, that bigger "time bandits" are emails and phone calls (should we add text messages?).

New per-diem rates

With deductions for employee business expenses eliminated in the new tax law, per-diem rates have become more important.

IRS announced in October new per-diem rates for business travel as of Oct. 1. Businesses may reimburse employees for travel expenses at the per-diem rates rather than actual expenses.

Reimbursed expenses are a deduction for the employer but are not counted as income to the worker as long as the traveler submits a travel expense report ("accountable plan"). If the company pays workers for expenses without requiring an expense report, the payments are treated as additional wages.

There are three per-diem rates for travel within the continental U.S.:

- \$200 per day (\$297 for high-cost areas) for lodgings and meals
- \$60 per day (\$71 for high-cost areas) for meals and incidental expenses only (no lodgings involved)
- \$5 per day for incidentals only, such as tips to bellhops

Mileage, airfare and other transportation expenses are in addition to the per-diem rates.

Travel is defined as more than 50 miles away from home, so these allowances don't apply within the metropolitan area. A business trip from Tucson to Phoenix would count as business travel.

Arizona has only one high-cost destination: Sedona. While much of the San Francisco bay area is listed as high-cost, Los Angeles and San Diego have been taken off this year's list of high-cost areas.

A searchable list of locations and their per-diems is online at:

<https://www.gsa.gov/travel/plan-book/per-diem-rates>

Workers in the transportation industry have a single nationwide rate for meals and incidentals: \$66 per day. Self-employed individuals may also use the per-diem rates, although their expenses are still deductible on Schedule C.

While employees must turn in a travel expense report under an accountable reimbursement plan, the employer may pay the per-diem even if the expenses aren't as much as the per-diem rate.



Are you one?

Some 180,000 investors had 401(k) account balances of \$1 million or more in March 2019. Fidelity Investments reported that's a 35% increase from 2018.

The average 401(k) millionaire contributed to his or her 401(k) for 30-plus years, Fidelity said. The firm advises 401(k) participants to contribute as much as they are able (the 2019 limit is \$19,000 plus \$6,000 catchup for those 50 or older).

Also, take advantage of a company match if one is available, and don't stick to low-risk money market or stable-value choices of investments.

Most Valuable

Tesla once again is the most valuable American car manufacturer. Tesla's stock market value of \$53 billion surpassed General Motors' \$51 billion in October.

Tesla first passed General Motors in 2017, but lost its lead in 2018 after the Securities and Exchange Commission (SEC) sued Tesla founder Elon Musk.

In 2016, GM sold about 10 million vehicles compared to Tesla's 76,000. This year, Tesla has sold 255,000 cars so far.

Merry Christmas!

Our offices will be closed from noon, Tuesday, Dec. 24, through Jan. 1 for the holidays. We will open again on Thursday, Jan. 2.

The staff of J&J Business Service wish you and your family a most joyful holiday and a bright new year.

Minimum wage jumps to \$12

Arizona's minimum wage will increase \$1 to \$12 per hour for 2020, a result of Proposition 206 passed by voters in 2016.

For any employee who regularly receives tips or gratuities, an employer may pay wages up to \$3.00 per hour less than the minimum wage, as long as the employee receives at least the minimum wage for all hours worked each pay period, when tips are added to wages paid.

Starting in 2021, the minimum wage will be indexed to the cost of living.

For more information, visit the state's minimum wage website at www.ica.state.az.us/Labor/Labor_MinWag_main.aspx.

401(k) limits creep up

The maximum contribution to a 401(k) retirement plan will rise \$500 to \$19,500 next year compared to \$19,000 for 2019. The limit also applies to 403(b), most 457 plans, and the federal government's Thrift Savings Plan.

The catch-up contribution limit for employees aged 50 and over who participate

in these plans will increase from \$6,000 to \$6,500.

The maximum contribution to an IRA (either traditional or Roth) stays the same, at \$6,000 plus \$1,000 catchup allowance for taxpayers age 50 and older.

The maximum SEP contribution will rise to \$57,000 in 2020 from \$56,000 this year.

Maximum Health Savings Account contributions for 2020 are \$3,550 for individuals and \$7,100 for family coverage, with \$1,000 catch-up for people over age 50.

W-2's and 1099's

It's not too early to start gathering W-2 and 1099 information.

Early in January, our office will mail 1099

request forms. The 1099 forms are required for payments of \$600 or more to non-incorporated entities (including LLC's) for rent, interest paid or services rendered.

If you are missing any payee information, give a W-9 form the payee to complete. You can download a W-9 form at www.irs.gov/file_source/pub/irs-pdf/fw9.pdf or call our office and we will send one to you.

Since January also is time to prepare year-end payroll forms, please review your payroll journal to make sure you have accurate (and current) names, addresses and Social Security numbers for all your workers.

Just a reminder that there are penalties for not filing on time as well as inaccurate information. We have seen several employers hit with penalties this year. W-2's and 1099's forms need to be out to workers by Jan. 31.

