Client News

J&J Business Service, Inc.
BOOKKEEPERS BUSINESS SERVICE CO.
ESTABLISHED 1945
8230 E. Broadway, Suite W-3
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(520) 546-8230

January, 2021 ***Free***

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.

Starting this year, income for independent contractors ("non-employee compensation") will be reported on the new Form 1099-NEC, while rent, attorney payments and other types of income will be reported on an updated Form 1099-MISC.

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 *www.tucsonaz.gov/inet/*.

Silicon Valley Exodus

The 2020 pandemic spurred an unexpected corporate effect. Numerous companies that never envisioned having off-site workers discovered ways to have employees work remotely in quarantine. "WFH" (Work From Home) became a standard acronym.

Many corporate executives long feared loss of productivity and control if workers weren't in their cubicles. Research this past year found that productivity actually is higher for WFH staff.

Companies with vast, currently empty office space have figured out that there can be hefty cost savings with remote employees -- no office rent, no utilities cost, and plenty of other savings.

Beyond those cost savings, several major Silicon Valley firms realized that telecommuting also means the physical location of their headquarters is less important.

Oracle, the database software company, is the latest to announce the move of its headquarters from California to Texas. It joins Hewlett Packard and Palantir Technologies which have recently left Silicon Valley.

Tesla and SpaceX founder Elon Musk said in December that he has personally moved to Austin, TX, from Los Angeles. Both companies have major facilities in Texas as well as California.

Not the least of the considerations is that California has the highest personal tax rates in the country while Texas has no individual income tax.

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February, 2021 ***Free***

It's not all bad

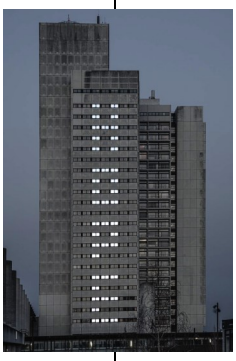
Pandemic related news has reported largely on the economic and people damage the virus has caused. It's easy, especially for small business owners, to get discouraged.

At least in southern Arizona, not all the economic news is bad. This month, we want to look at some glimmers of hope for local businesses.

Sales tax revenues

Although small businesses have been hit disproportionately hard, overall sales tax (TPT) revenues for the metro Tucson area in 2020 were actually up slightly -- 1.7% over the 2019 figures.

The Economic and Business Research Center at the University of Arizona projects 6.2% retail sales growth for 2021.



Personal income

With the travel and hospitality fields that southern Arizona relies on heavily being decimated by pandemic closures, personal income might be expected to drop mightily. Actually, overall personal income for the Tucson area increased 6.8% over 2019.

That growth is attributed to a variety of factors. One is government relief efforts -- additional unemployment compensation and Economic Impact Payments. Also, many white-collar workers continued in their jobs ... even if they were working from home and enduring endless Zoom meetings.

Other kinds of service workers, even teachers, continued to work virtually, while delivery services experienced a surge in business.

Real estate

Home prices climbed significantly, partially because fewer owners wanted to sell so selection was tighter for those looking to buy.

In turn, metro Tucson residential building permits jumped 8.8% from 2019 -- not as much as Phoenix's 14.7%, but still a reflection of pent-up demand. That's good news for the construction industry, a source for a large number of local jobs.

Savings rate

While laid-off service workers have struggled to make ends meet, another segment of the population has actually boosted its savings rate, from the usual 7% or so to as much as 33%.

For Work-From-Home (WFH) individuals, drops in commuting costs, eating out, leisure expenses such as concerts and sports events, clothing, vacation travel and even child care costs meant more money in pocket. While some of that money boosted sales of durable goods (think new laptop computers), much of it went into savings, according to the Federal Reserve.

Stock market

After the plunge in March, the stock market has recovered to record levels. Fidelity Investments reported that in September more than 262,000 workers had Fidelity 401(k) accounts worth at least $1 million, up 19% from just June.

The K

Economists have noted that the US economy has come through the pandemic with a K-shaped chart. For roughly half of Americans, their financial condition has gone downhill (the lower arm of the K). Meanwhile, the other half has actually seen their financial position improve during the pandemic.

For small business owners, this continuing consumer capability gives light, though businesses had to change how they deliver products and services.

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March, 2021 ***Free***

2021 mileage rates

The IRS lowered the business mileage rate for the second year in a row, to 56¢ per mile from 57½¢ in 2020. The rate for medical mileage and moving (which is only for military transfers now) dropped by a penny to 16¢. Driving for charitable purposes is set by law and remained at 14¢.

Lower gasoline prices were cited by IRS as a major factor in the drop.

Surviving as a ghost

"Ghost kitchens" are rewriting the restaurant business model and offering survival to numerous pandemic-crushed dining establishments.

These virtual eateries exist only on food delivery apps such as Grubhub, Uber Eats, and DoorDash. The concept appeared before the pandemic, but has exploded in the last year.

The collapse of on-site dining and underutilized kitchen facilities as well as restaurant staffs facing layoffs have led owners to ghost kitchen startups. Industry experts say a ghost kitchen can be launched for about five percent of the cost of opening a new restaurant.

Ghost kitchens come in several flavors. Some are created to sell items that are inconsistent with the restaurant's image, such as a high-end steakhouse that offers burgers.

Often, ghost kitchens offer a slice of what the restaurant already provides, as Applebees has done with its Neighborhood Wings brand. Then, some restaurants look to diversify, such as a Mexican restaurant that offers Chinese takeout through an online namesake.

Online ordering and delivery have expanded opportunities for alternative food services such as food trucks and catering services. Without the need for dining rooms and parking, digital-only restaurants have been started in shipping containers and by renting unused space in hotel kitchens unable to operate at capacity.

Taxing remote workers

Traditionally, states treat income as taxable where either the worker resides or where the income is earned.

The earnings location typically has been where the employer provides facilities for the worker. With the pandemic spurring work-from-home that is likely to become permanent for a lot of white-collar workers, this creates a big revenue issue for states ... and for employees.

New Jersey, Connecticut, Hawaii and Iowa have filed an amicus brief in a Supreme Court case that challenges the ability to tax nonresidents' income while they've been working remotely.

New Hampshire, which doesn't tax wages, sued Massachusetts last fall over Massachusetts taxing New Hampshire residents who have been working remotely since the pandemic.

The issue centers on seven states that tax workers based on the location of their office - even if those employees are working remotely. The "convenience of the employer" rule, where taxes are imposed on employees based on their employer's location primarily concerns northeastern states.

The implications are nationwide as remote employment spurred by the pandemic has allowed workers to relocate from expensive states (such as California) to more affordable locales (such as Arizona).

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April, 2021 ***Free***

Unemployment break

The American Recovery Act passed in March provides an exclusion for 2020 unemployment compensation. Especially if your business had to lay off workers due to the pandemic, business owners should understand this new rule.

The new law excludes from taxable income the first $10,200 of unemployment compensation an individual received in 2020, so long as their total income was under $150,000. It's a one-year provision that could cut tax bills for unemployed workers by more than $1,000.

The catch is that the legislation passed after many Americans had already filed their taxes. Plus, IRS is still figuring out how to handle it.

Until IRS issues guidance, taxpayers are urged not to file amendments for already filed returns. Those who haven't yet filed may want to file extensions.

The IRS is looking at whether it can automatically adjust taxes for returns that reported unemployment benefits. That would eliminate the need to amend.

The situation is complicated, however, because fraudulent unemployment claims with stolen Social Security Numbers have mushroomed during the past year. Many people who didn't receive unemployment are receiving 1099-G forms saying they did.

EIDL payback

Economic Injury Disaster Loan (EIDL) borrowers now have a longer period to start paying their loans, the SBA announced in March.

For loans made in 2020, the due date for the first payment has been extended from 12 months to 24 months after the date of the note. For loans issued in 2021, the due date has been moved back to 18 months.

Interest will continue to accrue at 3.75% on the balance during the deferment period. Borrowers may voluntarily make payments during that time.

Forgiven ... somewhat

Many Paycheck Protection Program (PPP) loans will be forgiven by IRS, but nearly half of states -- including Arizona -- are taxing the forgiven loans.

Normally, a forgiven loan is considered income, because you got money you didn't repay. However, Congress chose to exempt forgiven PPP loans from federal income taxation.

Many states will continue to tax them by either treating forgiven loans as taxable income, denying the deduction for expenses paid for using forgiven loans, or both.

A federal decision allows expenses paid with forgiven loans to be deducted from federal taxes, preventing a phantom income for businesses. Arizona has conformed to federal guidelines to allow expenses to be deducted, but will still treat the forgiven amount as "cancelation of debt income."

Daylight saving?

While much of the country "sprang forward" in March, Arizona stayed on time. But that may change.

Switching to and from Daylight Saving Time seems to be generally unpopular, and 15 states have adopted permanent DST. Congress has introduced a bill to make year-round DST nationwide.

Benjamin Franklin suggested daylight saving time as a joke in a 1784 essay, but the United States didn’t adopt the system until 1918.

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May, 2021 *Free*

AZ conforms

In a welcome move, the Arizona legislature passed a conformity bill in mid-April.

Each year the state considers whether to adapt Arizona law to match changes made to federal tax law during the prior year. Typically, Arizona conforms to federal law with a few exceptions, such as for bonus depreciation.

Not only did the 2020 conformity bill accept all changes made during 2020, it also included provisions in March's 2021 American Rescue Plan.

A key aspect is the American Rescue Plan's exemption of up to $10,200 in unemployment benefits for 2020. The Arizona tax form starts with the federal income, so conformity means those benefits are also exempt from Arizona income.

IRS is now automatically adjusting returns for early filers who did not take the subtraction on their federal returns. The Arizona Department of Revenue is analyzing this situation and advises those taxpayers to wait to amend their Arizona returns.

Taxpayers who had amended their prior-year federal returns to claim net operating losses, but were waiting to amend their Arizona returns until conformity was resolved, may now file Arizona amendments. Taxpayers who filed amended Arizona returns assuming Arizona would conform but had their net operating loss refunds held by the state should now expect those returns to be processed.

401(k) for your business?

When 401(k) retirement plans were introduced, most small businesses shied away because of the costs and administrative burdens entailed.

Thanks to the variety of plan administration firms that have come along, as well as "pooled" 401(k) plans, they are now a option for small businesses -- an option too often overlooked.

The Solo 401(k) also has developed, but it is limited to self-employed persons and their spouses.

While there still are costs involved, offering a 401(k) plan for employees as well as bosses can be advantageous. A pooled plan lets several small businesses band together to spread costs.

The number one reason for making a 401(k) plan available is recruiting and retaining top quality employees. Offering a 401(k) levels the playing field a bit between big companies and small businesses.

The Employee Benefit Research Institute found those with access to retirement plans save significantly more. ERBI's 2020 Retirement Confidence Survey reported 51% of retirees with a retirement plan had at least $250,000 in savings and investments, while only 5% of those without a plan retired with that amount.

Companies have the option to match employees' contributions up to 6 percent of wages, but even without giving workers that "bonus" there are other perks.

Companies can choose to automatically enroll new employees in the 401(k), although they can opt out. Especially for low-wage and younger workers, this step can put them on the road to saving that they wouldn't otherwise take.

For those serious about saving for retirement, a 401(k) offers a much higher contribution limit than an IRA -- $19,500 this year, plus a $6,500 catch-up allowance for those 50 and older.

While traditional 401(k)'s give a current tax break by making contributions pre-tax, Roth 401(k) accounts are also available. For those who either don't need tax breaks now or are looking to avoid taxes down the road, Roth 401(k)'s are ideal.

Another plus for 401(k)'s is the option to borrow from them. While loans take away from the earnings that compound, they also provide a valuable path for workers hit with expenses and not easily able to get a loan elsewhere.

Hardship withdrawals also are available, and someone age 55 or older who leaves an employer can take out 401(k) money without penalty -- even if they go to work someplace else.

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June, 2021 *Free*

Restaurants flood SBA

Within 10 days after its launch, applications for the Restaurant Revitalization Fund (RRF) were more than double the congressional allocation.

Restaurants, bars, and other businesses providing on-site food and drink have submitted 266,000 applications seeking a total of $65 billion in the first few days, the Small Business Administration (SBA) said.

Congress funded the program for $28.6 billion to provide relief for one of the sectors of the economy hardest hit by the COVID-19 pandemic.

Waiting for a check?

As if IRS wasn't facing enough challenges this tax season, the Treasury Department's Inspector General found another: out of ink.

Some 42 percent of the IRS' printers and copiers in processing units were out of order as of Mar. 30, the watchdog service found. The agency's supply contract ended in September 2020 and has not been renewed.

The IRS commissioner told senators in mid-May that 6 million 2020 returns are "in suspension." Plus, the IRS still has 335,000 tax returns from 2019 that it hasn't processed.

Are you a millionaire?

A millionaire is someone with a million dollars. But it's a little more complicated.

The owner of a million-dollar home could have a $900,000 mortgage. While the abode may look opulent, the owner may not be all that wealthy.

The most common definition in financial circles is net worth -- value of assets minus debts. With that standard, a person with a $10 million home and $9 million of debts is no richer than someone who has a million dollars in assets and has no debt.

Investment advisors prefer another measure: investable net worth. That backs out the home (because you have to have a roof over your head) and other illiquid assets such as cars (yes, even the Ferrari). For stockbrokers, this definition makes sense -- they can't make commissions on value you can't spend.

So how many millionaires are there in the U.S.? Using the net worth standard, Federal Reserve data say 15.3 million households, or about 12 percent of all households.

Research firm Statista counts 10.5 million millionaire houses after taking out the value of primary residences. It noted the number dropped from 11 million in 2019 due to the pandemic.

Phoenix Marketing International (PMI), which tracks very high wealth individuals for advertisers, tallied 8.4 million households with at least $1 million of investable assets in 2019. That's 6.7 percent of all households.

Arizona ranks 25th among states in number of millionaires. For 2019, 161,000 Arizona households had $1 million plus of investable assets, PMI said.

If two commas in your bottom line aren't enough to aspire to, the world has 2,755 billionaires (with three commas). That's 660 more than a year ago, which Forbes notes translates to a new billionaire being minted every 17 hours.

The U.S. has the most billionaires, 724 this year. China is second with 698.

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July, 2021 ***Free***

Skills gap looms

About half of U.S. workers say they will need to learn new skills within the next year to continue their current jobs, according to a survey by Prudential Financial.

That skills gap may stymie companies' economic recovery as well as threaten workers' financial security.

"Before the pandemic... there was a skills gap. Post-pandemic, we may be saying there's a skills canyon," Prudential Financial Vice Chair Rob Falzon said.

"You're not going to be able to hire your way out of that problem. [Companies] need to do it for their own purposes because they're not going to find the skills in the marketplace."

A recent McKinsey Global Survey found nearly 90% of executives acknowledge a current skills gap or expect one in their workforce, but less than half have a plan to reskill and upskill their employees.

Computer technology and remote work capabilities topped the list for skills most needed in the near-term, according to McKinsey.

"[Previously,] about every decade or so you had to reinvent yourself to be relevant in the workforce, but that's accelerated to a four-year period of time with the rapid adoption of technology," Falzon said.

Small businesses raise pay

Labor shortages are holding many small businesses back from recovering from the pandemic, according to the National Federation of Independent Business (NFIB).

NFIB reported that a record-high 48 percent of small business owners in May had unfilled job openings. Additionally, 34 percent said they had to raise payscales, and 22 percent more expect to do so in the near future.

Generous unemployment benefits have been criticized for individuals not returning to the workforce, but other factors, such as available childcare, also have played a role.

Pay raises most affect low-wage service jobs, with some companies reporting they have had to increase prices by 25 percent to 40 percent.

Hackers hit investments

High-profile headlines about cyber attacks in recent months mask another kind of cyber attack that hits close to home: investment account takeovers.

Research shows that fraudulent takeover of individuals' investment accounts increased by roughly 250% from 2019 to 2020.

When hackers gain access to brokerage accounts, they typically drain the assets, sometimes putting the money into untraceable cyber currencies such as Bitcoin.

The Financial Industry Regulatory Authority (FINRA) says two factors have led to more hacking: the growth of online brokers due to the pandemic, and investors' use of the same passwords for a variety of accounts.

If someone uses the same credentials for, say, a grocery frequent shopper card as for their 401(k), hackers have an open door when they buy the shopper card password on the dark web.

The Security and Exchange Commission (SEC) has been watching the problem closely and working with brokerage firms to tighten up account security. Meanwhile, increased vigilance by investors such as using two-factor authentication can dramatically reduce successful fraud.

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August, 2021 ***Free***

SBA launches PPP portal

At the beginning of August, the Small Business Administration launched its PPP forgiveness portal.

The website is designed to simplify the process for borrowers and lenders. It also will allow borrowers with small loans to apply for forgiveness directly with the SBA.

Visit the portal at https://www.sba.gov/

Selling MAYA

Today's marketers are rediscovering a nearly century-old concept.

The MAYA principle is a two-sided approach to sell anything. It was developed in the 1930's by Raymond Loewy, later to be called "the father of industrial design."

Raymond Loewy with the 1953 Starliner Coupe he designed

MAYA stands for "Most Advanced Yet Acceptable." Loewy said to sell something surprising, make it familiar; and to sell something familiar, make it surprising.

He believed that consumers are torn between two opposing forces: neophilia, a curiosity about new things, and neophobia, a fear of anything too new. As a result, they gravitate to products that are bold, but instantly comprehensible.

Decades before Apple reintroduced the idea that products could be sleek and more user friendly, Loewy practiced making products aesthetically appealing.

In the mid-20th Century, Loewy's influence was widespread -- and is still around today. The famous blue nose of Air Force One came about after several hours with President Kennedy in the Oval Office.

His sleek design for Studebaker's Starliner Coupé in the early '50's shifted the look of cars from boxy to flowing.

The next time you see a picture of astronauts looking at earth through the Space Station's viewing portal, thank Raymond Loewy. Persuading NASA to install the window was part of his assignment to make living in space more comfortable.

SasS is taking over

The end of ownership is coming. In 2016, the World Economic Forum predicted that "You'll own nothing. And you'll be happy. Whatever you want, you'll rent. And it'll be delivered by drone."

In the "old" days, you paid for a product, took it home and it was yours. Increasingly, tangible items are a delivery system for software you don't own.

Software is licensed, not sold. (Read an "End User License Agreement," EULA, sometime.) Until recently, software was licensed to a user for as long as they wanted to use it (or it was usable).

Of course, upgrades and updates often caused older software to no longer work after a while. Think of your old programs that won't run on Windows 10.

With "smart devices," software is lurking everywhere. Software companies led the shift to "subscription pricing" several years ago, and product companies are catching on, too.

Licensing software on a time basis has a new name -- "Software as a Service" or SaaS.

Perhaps the most famous clash over SaaS is the running battle between farmers and John Deere, the tractor company. Farmers who spend upwards of a million dollars for a combine are not allowed to do any maintenance or repairs to the machine -- they have to pay whatever price is set by Deere service technicians.

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September, 2021 ***Free***

Biz meals deductible

To help struggling restaurants recover from the pandemic, the Consolidated Appropriations Act passed in April allows full tax deductions for business meals at restaurants in 2021.

There are several key rules business people need to know about this exception to the usual 50 percent limitation:

1. It is only for 2021 and 2022.
2. It is only for restaurant meals (more on that later).
3. The meals have to meet the usual requirements for business meals, such as business purpose.

IRS guidance defines a restaurant as "business that prepares and sells food or beverages to retail customers for immediate consumption, regardless of whether the food or beverages are consumed on the business's premises."

Notice that this definition allows for conventional restaurants plus drive-throughs, food trucks, and delivered food (such as GrubHub and DoorDash).

What it doesn't include are businesses that "primarily sell prepackaged food or beverages not for immediate consumption." The IRS specifically excludes grocery stores, convenience stores, newsstands, vending machines and several similar food retailers.

The IRS also excludes any "employer-operated eating facility." Business meals purchased at these non-restaurants are still eligible for the 50 percent deduction.

Shipping out

American manufacturers who long have struggled against cheaper Asian competitors have a new, if inadvertent, ally -- ocean cargo ships.

Prices to move a 40-foot cargo container from China to the U.S. West Coast have exploded this year.

The current rate from Asia to the West Coast is now $13,000 to $19,000 -- 10 times the $1,400 or so that importers paid a year ago, says *Freightos Baltic Daily Index.*

Oh, you need to get your high-fashion dresses into American stores fast before they go out of style? Your price is $32,000.

"When your freight rates are so high that cheaper products are basically priced out of the market, this change is permanent. Quite literally manufacturing is returning to the U.S.," said Robert Khachatryan of Freight Right Global Logistics.

A variety of factors have combined to create headaches for shipowners as well as shippers. Fewer dock workers due to the pandemic on both sides of the Pacific (and elsewhere) means it takes longer to load and unload ships.

That has caused congestion in ports and effectively reduced shipping capacity and doubling transit times.

Meanwhile, all those Americans staying home, saving money and getting stimulus checks are now ready to spend. Retail analysts report demand is up 25 percent while shipping is down 25 percent.

The shipping industry doesn't expect the situation to lighten this year or next, leveling the field for "made in America."

The new geriatrics

The oldest of the Millennial Generation turn 40 this year, so millennials are becoming the new middle-agers.

In case you haven't kept track of the demographics:

-- Baby Boomers (the only generation officially designated by the U.S. Census Bureau): born 1946-1964
-- Gen X: 1965-1980
-- Millennials: 1981-1996
-- Gen Z: 1997 to now

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AZ does major tax reform

Almost quietly, the Arizona legislature included a major tax reform measure in the budget bill passed in late June.

The bill phases in a flat tax of 2.5% for nearly everyone over the next four years, eliminating the state's progressive taxation system. Arizona taxes range from 2.59% for the first roughly $54,000 of income to 4.5% for income above about $327,000.

The Legislature's budget analysis reports the average Arizona resident earning between $75,000 and $100,000 will save $231 a year in state income taxes, while a taxpayer earning between $500,000 and $1 million a year will save more than $12,000.

A separate bill, SB 1783, allows owners of pass-through businesses to choose to pay taxes at the entity level. This will let higher-income business owners elect to be taxed at a lower rate than non-business owners making the same amount of income.

The new law also will reduce the property tax assessment ratio for most commercial property. The current 18% rate will drop a half percent a year to 16% in 2025 and later.

Fewer taxpayers

When politicians protest higher taxes, they are talking to a shrinking portion of the population.

About 61% of U.S. households -- nearly 107 million households -- owed no federal income taxes in 2020, according to estimates by The Tax Policy Center. That's a 40% increase from 2019 when 43.6% of households didn't pay taxes.

The Tax Policy Center predicts the trend will continue for 2021, but that it is temporary.

A primary reason for the drop in taxpayers is the financial hardship many Americans experienced with the pandemic. Since job losses hit low-income workers the hardest, many dropped below the point of having any income tax.

The exclusion of $10,200 of unemployment benefits meant that money was not taxed. Additionally, the Child Tax Credit and the Earned Income Tax Credit will reduce or eliminate tax liability for many households this year.

Americans with no income tax still paid other kinds of taxes -- sales taxes, payroll taxes if they worked, property taxes, and perhaps state income taxes.

More giving

The pandemic has spurred charitable giving, although that result may sound counterintuitive when many people lost jobs.

In Fidelity Charitable's 2020 list of top 20 charities, three food-focused organizations made the list for the first time.

Americans gave $471.44 billion in 2020, a 5.1% increase from 2019. Corporations gave another $16.88 billion.

Fidelity's research discovered that younger Americans are taking a "holistic approach to philanthropy." They focus on working for companies that align with their values. As consumers, they choose brands that make a difference in the world.

Also, they do "impact investing," putting their money into investments that pursue social goals. Finally, "they are generous, even though they may not have a lot of money. Charitable giving has become charitable living."

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November, 2021 ***Free***

Quitters!

Business owners everywhere are struggling to get their heads around the strangest labor market they have ever seen.

On the heels of pandemic-induced massive layoffs has come "The Great Resignation." As businesses scramble to recover from the pandemic, they can't find workers ... at any price.

The normal supply-demand tactic is when you can't find enough people to fill jobs, you raise wages. But raising wages isn't working this time.

In fact, it is backfiring somewhat. People are quitting good-paying jobs to take even better paying jobs where other companies have had to raise their payscales.

Most perplexing for many service business owners is that workers are leaving service jobs because of the lower pay, high COVID risk, varying hours and just grueling work. For many, the appeal of white-collar jobs working from home and lack of childcare has nudged them into seeking alternative kinds of work.

The Bureau of Labor Statistics reported that nearly 4.3 million Americans quit their jobs in August. Overall, 29 out of every 1,000 workers quit their jobs, while food services had a quit rate of 6.8%.

Got an out?

An often overlooked aspect for many small business owners is an exit strategy. Because the business is often the owner's largest asset, the decision of how to end it has big financial consequences.

Well before time for retirement, a plan for how to leave a business should be laid out. Too often, owners just expect to close their doors, especially if the company is built around the owners' expertise and personal branding.

An exit strategy could go either of two ways (or possibly both): selling the business or turning it over to someone else to run.

The first step is to have a clean set of books -- for several years. A potential buyer will want to know the financial success of the firm over time, and those records will help get the best price.

Organize the company's key paperwork, such as customer list, vendor contracts and personnel records. Also, check your business insurance.

If the current owner has specialized expertise or a personal reputation, such as a well-known chef, a buyer may want the seller to stay on for a period of time -- possibly even three to five years -- to transition the knowhow and the identity to the new owner.

If that is a possible consideration, the business should not be put on the market when the owner is ready to retire but instead, a few years before. Also, finding the right buyer for a business usually is not a quick process.

One consultant observed that selling a business involves a grieving process. The company is the result of years of loving, hard work so letting go is not easy.

Setting a desired retirement date and starting an exit strategy way before can make the separation less painful.

COLA for you

Social Security announced a 5.9% increase for Social Security benefits in 2022. The biggest jump since 1982, the "cost of living adjustment" (COLA) is tied to the inflation index.

The maximum wages subject to Social Security tax will be $147,000, up $4,200 from the $142,800 cap in 2021. Workers younger than full retirement age who take Social Security can earn up to $19,560 next year without affecting their benefits.

Client News

J&J Business Service, Inc.
BOOKKEEPERS BUSINESS SERVICE CO.
ESTABLISHED 1945
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Tucson, AZ 85710
(520) 546-8230

December, 2021 ***Free***

Merry Christmas!

Our offices will be closed from noon, Friday, Dec. 24, through Jan. 2 for the holidays. We will open again on Monday, Jan. 3.

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

Minimum wage rises

Arizona's minimum wage will increase 65¢ to $12.80 per hour for 2022. The minimum wage is adjusted annually to the cost-of-living index under 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.

For more information, visit the state's minimum wage website at https://www.azica.gov/labor-minimum-wage-main-page.

Tucson raises more

Tucson voters passed another Prop. 206 in the November election, raising minimum wage in the city to $13 by Apr. 1, 2022.

The measure specifies annual adjustments to $15 per hour in 2025 and then indexed for inflation after that.

Beyond the minimum wage, the measure also establishes a variety of worker protections and a new city department to administer them.

Of particular concern to business owners is a provision that workers may sue employers for violations of the ordinance.

In addition to unpaid wages or other recompense, the measure awards 30 percent of any penalties the city assesses against employers. The remainder of the penalties fund the city's Department of Labor Standards.

The measure also requires the department to take a survey of low-wage workers by Dec. 1, 2022. The study will identify industries where minimum wage violations are most likely to occur. The department is required to investigate employers in these industries for violations.

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 to 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 of 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.

Two kinds of 1099 forms will be issued for 2021. Non-Employee Compensation (independent contractors) will be reported on a Form 1099-NEC, which is due by Jan. 31. All other income types, such as rent, other income, sales for resale over $5,000 and payments to attorneys, will be reported on Form 1099-MISC.