

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.

Income for independent contractors ("non-employee compensation") is reported on Form 1099-NEC, while rent, attorney payments and other types of income will be reported on 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/.

New A-4 form

Every Arizona employer is required to make Arizona's updated A-4 withholding form available to its Arizona employees by Jan. 31, 2023.

The form is available for download at <https://azdor.gov/forms/withholding-forms/arizona-withholding-percentage-election>, or call our office for a copy. Also, there is a Form A-4C for employees who make donations to tax credit organizations to request reduced withholding.

The Department of Revenue has revised Form A-4 to reflect Arizona's lower individual income tax rates. The new A-4 still has seven withholding rate options, all

lower than on the 2022 form and topping out at 3.5%.

The box for zero withholding option and the line for additional Arizona withholding still appear, as in the past.

If an employee doesn't fill out a new A-4 form, the employer will use a default rate of 2.0%. Withholding forms are not sent to the state but are kept by the employer in their payroll records.

For 2023, Arizona has only one income tax rate -- 2.5%, regardless of income. In 2022, the state had two tax rates, 2.55% and 2.98%. That was down from the four rates in 2021, ranging from 2.59% to 4.5%.

Mileage for tax time

A mid-year IRS adjustment raised business mileage to 62½¢ for the second half of 2022 from 58½¢ for January through June. As you tally up your business mileage for the year, remember to separate your records into those two periods.



Higher mileage rate

The 2023 standard mileage rate is 65½¢ for business driving, up 3¢ from the last half of 2022.

Because of high gasoline prices and inflation, IRS made an unusual mid-year adjustment in 2022, raising the business mileage rate from 58½¢ for January through June 2022 to 62½¢ for July through December.

The mileage rate for driving for medical care and for military moves stayed the same at 22¢. Driving for charitable purposes is fixed by law at 14¢ and has not changed for years.

The standard mileage rate is an option, as an alternative to deducting actual expenses. Companies that reimburse employees under "accountable plans" (mileage reports required) may deduct the cost while employees do not have to report those reimbursements as income.

Higher 401(k) limits

IRS announced a 9.7% jump in the 401(k) contribution limit for 2023, but it won't help many people.

Workers can contribute up to \$22,500 to their 401(k) this year, or \$30,000 for those age 50 or older. However, only 14% of employees who take part in company retirement plans contributed last year to IRS limits, according to Vanguard.

Additionally, 74% of small businesses with 50 or fewer workers do not offer a retirement plan, according to Sharebuilder 401(k). Among the lowest earners, 79% do not have 401(k) accounts, says the Center for Retirement Research at Boston College.

Independent contractors, freelancers, gig economy workers, and part-time workers are among the 57 million workers who do not have employer-sponsored retirement plans, the Georgetown Center for Retirement Initiatives reports.

The "Solo 401(k)" can be set up where the only participant is the business owner

(and spouse). A "Self-Employed Pension" (SEP) is a simple plan that allows both owners and employees.

With high inflation now, a Northwestern Mutual survey found Americans feel they need to have saved \$1.25 million to retire comfortably.

Less college

The tight job market and the Great Resignation are

prompting another hiring change: fewer openings have degree requirements.

Consulting firm Gartner predicts that shifting to "skills-based hiring" from required college degrees will accelerate in 2023.

In 2011, IBM required a four-year degree for 95% of its openings. In 2021, less than half of IBM jobs required degrees.

That may sound like good news for job-seekers, but it also could have a backlash. Especially for highly sought-after fully remote jobs, hiring applicants who lack degrees is likely to have companies outsource jobs overseas at lower costs, MIT research noted.

It possibly could make hiring good workers harder for small businesses, which often lack the benefits and perks of megacompanies. Highly skilled people without degrees could be drawn to big employers instead of signing on with small businesses.

