

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.

SECURE 2.0 for small biz

The SECURE 2.0 Act, passed in December with some aspects taking effect in 2023, has a variety of provisions aimed at small businesses.

The law expands retirement savings options with a focus on small companies which have a harder time offering retirement plans. There are startup tax credits and new incentives for small businesses to join multi-employer plans.

The law also helps part-time workers, reducing the time until enrolling in a company's retirement plan to two years. Military spouses, who sometimes aren't em-



ployed long enough to be eligible, will be able to more quickly join workplace plans.

Beginning next year, companies

can choose to treat student loan payments as retirement deferrals. Under this plan, an employer can "match" a worker's student loan payment, depositing that money into their 401(k) or SIMPLE IRA as if the loan payment had been a 401(k) contribution.

Another provision makes it easier for people to take out of their retirement plans for emergencies without paying the heavy tax penalties that often come with withdrawing early.

SECURE 2.0 eliminates Required Minimum Distributions (RMDs) for Roth 401(k) accounts, so they are the same as Roth IRA's. The law also raises the age from 72 to 73 to start RMD's from tax-deferred accounts such as traditional IRA's and regular 401(k)s.

At an individual level, the Savers Credit will expand for retirement savings by low-income workers.

What's the charge?

Now that new legislation has expanded credits for electric vehicles (EV's), the question arises: is electricity or gasoline cheaper?

New England drivers, where electricity costs are high, may still find it more economical to buy gas for their cars, according to Consumer Reports.

Tucson Electric Power's basic residential rate of about 13¢ per kilowatt hour (KWH) typically means charging at EV at home will cost less than paying \$3 per gallon gas. TEP also offers a special rate for charging EV's outside of peak hours.

Arizona ranks No. 35 in the cost of charging an electric car in the U.S., according to MotorTrend. The magazine estimates it costs \$6.26 to fully charge a Tesla Model 3 (a savings of 49¢ over gas) or \$13.68 to fill up a Ford F-150 Lightning (a savings of \$1.06).

The jobs paradox

More than 10 million jobs are open in the U.S., despite big-company layoffs and economists' reports of job growth. Small business owners can feel the staffing pinch while not understanding what is happening.

"We've got men and women who are sitting on the sidelines of the economy and not looking for work at the same time that we've got a unprecedented, peacetime labor shortage," observed the American Enterprise Institute (AEI).

The AEI's estimate of 7 million men between the ages of 25-54 not looking for work are not counted in the low unemployment rate.

Meanwhile, the Center for Retirement Research at Boston College found that many empty nesters cut back on their work hours and in turn lower their incomes by an average of \$2,000 per year.

A big tip

A new tip reporting program proposed by IRS in February is catching flak from politicians before it even starts.

The Service Industry Tip Compliance Agreement (SITCA) would be a voluntary tip reporting program between the IRS and employers. The controversy is that workers could see their tax liability go up with improved gratuity reporting.

According to a 2018 study by the Treasury Inspector General for Tax Administration, unreported tip income totals an estimated \$1.66 billion. The report estimated that 30% of employers under report earnings for tipped workers.

The proposal is open for public comment until early May. It would replace the current Tip Rate Determination Agreement (TRDA) and Tip Reporting Alternative Commitment (TRAC) programs.

SITCA is designed to reflect changes in how tipping is done. Most tips now are added to the bill at the point of sale, where the customer is asked if they want to include a tip in the credit card charge.

Businesses that take part in SITCA would report once a year their electronic tip amounts plus an estimate of cash tips received. It would eliminate employees having to report their tips to the company, so the IRS expects it would “decrease taxpayer administrative burden.”

Pay opaque

“Pay transparency” -- the new term for providing pay ranges in job ads -- is being met with resistance by many companies.

The legal requirement to state what the employer is willing to pay for someone in

a position started in California and Washington state and is spreading to other states.

Compensation management firm Pay-scale predicts that by the end of this year one in four employees will be covered by a state or local law that requires businesses to be transparent about their pay ranges.

Even where companies are complying with the law, the information may not be helpful to jobseekers. One tech position recently was listed with a salary range of \$36,000 to \$128,000.

Endangered species

Almost everyone with a 401(k) has felt the pinch as the stock market has declined during the past year.

The number of 401(k) accounts that have at least \$1 million in retirement savings tumbled 32% last year, according to Fidelity Investments, one of the largest 401(k) providers.

In 2021, there were 442,000 “401(k) millionaires” but that number dropped to 299,000 in 2022, Fidelity said. With

2023's turbulent market so far, that number likely has shrunk more.

The average balance in a 401(k) was \$103,900 at the end of 2022, Fidelity said. Only 1.4% of the 401(k) accounts had seven-digit balances.

Meanwhile, an annual survey by Northwestern Mutual found that Americans felt they need at least \$1.25 million to retire comfortably.



Price pushback

After frequent price increases to counter inflation, McDonald's is seeing pushback from customers, McDonald's CEO Chris Kempczinski said.

The fast food chain has a history of double-digit sales growth, with first quarter same-store sales up 12.6% over 2022.

Customers are still loyal, but shifting their buying patterns as prices leap. They continue to get the pricier Big Mac but may skip the side of fries or a dessert.

Looking around

Three-quarters of workers are looking for greener pastures, according to research by the careers platform The Muse. Furthermore, the economic outlook is not a factor for most job seekers.

The leading reasons for wanting to change jobs are:

1. Toxic workplace culture
2. Lack of flexibility
3. Prospective layoffs
4. Salary freeze
5. Actual layoffs and/or hiring freezes
6. Lack of diversity

About 70% want a better work-life balance, perhaps a residual of pandemic-era flexibility and last year's worker shortage. With high-profile mass layoffs, "return to office" mandates and policies to can the lowest performers, workers rank work-life balance the top factor for a new job.

Men also consider job security as important, while women favor benefits and perks.

Top job

The most desired job in the country now is not doctor, lawyer or software develop-

er. It's not rock star and certainly not U.S. president.

It's social media influencer, according to the latest Harris Poll of U.S. Gen Z and a separate survey by Awin in the U.K.

An influencer is a cross between a reality TV star and an advertising spokesperson. An influencer chronicles their glamorous lifestyle on YouTube, Instagram, Twitter, TikTok, Facebook and elsewhere.

Of course, followers simply need to buy the products influencers promote to fulfill their dreams.

Top influencers with tens of millions of followers have their weekly videos viewed by more people than network TV shows. As a result, advertising dollars are being siphoned off from traditional media.

Not quite poor

Forbes recently issued its annual list of richest people in the world. The top 50 are \$200 billion poorer than last year, but still worth a collective \$2.1 trillion. The leaders among the world's 2,640 billionaires:

1. Bernard Arnault (France, net worth \$211 billion)

2. Elon Musk (\$180B)
3. Jeff Bezos (\$114B)
4. Larry Ellison (\$107B)
5. Warren Buffett (\$106B)

Arizona's wealthiest resident is Ernest Garcia II (\$8.6B), financial backer for Carvana, the used-car platform founded by his son.

The states with the most billionaire residents are California 186), New York (135), Florida (78) and Texas (67).



Wendy's goes AI

The technology news this year has focused on Artificial Intelligence (AI). Instead of the curiosity of AI leader ChatGPT writing term papers for college students, soon AI may be taking your orders at a burger joint near you.

Wendy's CEO Todd Penegor announced Wendy's will roll out an automated drive-thru this month at a company-owned restaurant in Columbus, OH.

The optimistic CEO says the technology will improve food quality and drive-thru times, by freeing up staff from taking orders.

Google's natural language software also will understand how consumers order from the menu so it can make better suggestions to buy more. Upselling of course will benefit Wendy's bottom line.



AZ eats up

Arizona restaurants saw a sizable jump in "seated diners" in March, according to numbers from the OpenTable network.

Nationwide, dining out was up 33.7% over 2019. In Arizona, dining was up 40.5% statewide and 56% higher in the metro Phoenix area.

University of Arizona researchers said the dining out figures reflect the state's overall "resilient" economy.

Draining the labor pool

Economists think the labor market has changed permanently from before the pandemic.

The US labor force participation rate is at 62.6% — the highest since March 2020. Labor market participation is a

measure of what portion of potential workers are either employed or actively looking for jobs.

However, the participation rate for older workers is still down from 2020. Only 38.4% of those age 55 and up are in the job market, according to the federal Bureau of Labor Statistics.

That low rate for older workers reflect a "brain drain" for businesses -- a loss of experience and knowhow that is being passed along to newer workers.

Although younger workers are now returning to the workforce, there were still 9.6 million job openings in April and 5.8 million unemployed workers.

Vulnerable

It's no news that last year's stock market decline trashed many Americans' retirement savings. Those funds mostly were invested in the stock market through 401 (k)s and IRAs.

Research by the Pew Charitable Trusts revealed that savings damage could cost federal and state governments \$1.3 trillion by 2040.

Inadequate retirement savings will result in higher public assistance costs, decreased tax revenue, lower household spending and a decline in standards of living, the report says.

The number of "financially vulnerable" seniors is projected to jump by 43%, to 33 million.

The federal government will foot \$964 billion of the anticipated costs, with states paying another \$334 billion.

Avoid comingling

While it may seem convenient to mix personal and business finances, doing so can have significant implications, especially when it comes to tax audits and lawsuits.

Comingling personal and business finances can blur the line between personal assets and business assets. This can create legal and liability complications, potentially putting your personal assets at risk if your business faces any legal action.

Maintaining a clear separation between personal and business expenses is crucial to protecting your personal liability.



Intermixed personal and business expenses makes it challenging to accurately track and report business-related deductions and income. And the issue doesn't just apply to personal expenses.

Comingling can occur when the same owners have multiple businesses and use income from one to pay costs in another.

This can lead to incorrect tax returns, which may trigger audits from tax authorities. Without proper separation, it becomes difficult to prove the legitimacy of your business expenses, potentially resulting in disallowed deductions.

Tips to Avoid Comingling:

1. Establish separate bank accounts and use the business account exclusively for business-related transactions.
2. Maintain accurate and organized records.
3. Use a dedicated business credit card for business expenses.
4. Write checks to yourself for your salary. Deposit the checks into your personal account and then pay personal expenses from there.

Arizona Travel IDs

Just over 2 million Arizonans have upgraded their driver licenses to "gold star" cards recognized as travel identification.

The deadline to have a federal travel ID has been pushed back to May 2025, but many people are upgrading now when they renew their driver licenses.

Starting May 7, 2025, a compliant credential like the Arizona Travel ID or passport will be needed to get past Transportation Security Administration checkpoints at U.S. airports. A standard driver license will not be accepted at TSA checkpoints, so fliers risk missing a flight.

A "gold star" driver license will also be needed to enter many federal facilities, such as the federal office building in downtown Tucson.

Gold Star cards cannot be used for border crossings into Canada, Mexico or other international travel.

The upgraded cards can be obtained at state motor vehicle offices. Walk-ins are accepted, but an appointment scheduled through azmvdnow.gov may provide faster service. The cost is \$25.00.

More information, including a full list of qualifying documents, is available at azdot.gov/TravelID.

Tipping down

Fewer people are tipping at restaurants this year, a Bankrate study discovered.

The Bankrate survey, commissioned by YouGov, just 65% of American adults always tip their servers at sit-down restaurants. That's down from 73% a year ago and 77% in 2019.

Fewer Americans are tipping for all types of services, compared to before the pandemic.

Only 53% of people now tip hair stylists, while 40% tip taxi and rideshare drivers, 23% tip hotel housekeepers and 22% tip coffee shop baristas.

Is it or isn't it?

With inflation, supply chain shortages and stock market behavior, economists have been predicting a recession for the past year.

But where is it? Inflation is falling, the US and Arizona's economies are still growing, and unemployment has stayed low. None of those factors are forewarnings of an impending recession, let alone one we were supposed to be in by spring.

Nearly the only tool the Federal Reserve Bank has to reign in inflation is raising interest rates, which supposedly will dampen borrowing and slow down the economy.

Economic experts are starting to catch on that the last year's series of interest rate increases are not working the way they have in the past, and the way they were intended.

What's happening, economists are discovering, is that Americans, both individuals and companies, have "deleveraged."

As a result of several years of very low interest rates as well as economic stimulus during the pandemic, both individuals and corporations have been holding a record amount of cash and also have refinanced what long-term debt they had to near-zero interest rates.

Those refinanced loans and mortgages have interest rates that are now below the inflation rate, making a win for consumers (and a lose for lenders).

As a result, Americans are still spending, business profits are growing, the job market remains tight and the doomsayers' recession just isn't happening.

That's not to say the economy couldn't soften at some point, but too many factors are against a crash happening in the foreseeable future. That's good news for business owners figuring out whether to reinvest to build their businesses or hold on tight to where they are now.



Toughing it out

Retailing is a tough way to make a living, as every store owner knows. The shifting landscape of retailing may offer some opportunities, and hope, to small businesses, as retail sales have increased for three months straight.

Big chains have grappled with several market changes:

- Online buying increased during the pandemic and has remained strong.
- Mall traffic has declined, forcing out numerous chains that have paid premium prices for mall space. (Longtime mall anchor JCPenny was bought in bankruptcy by nationwide mall owner Simon Property Group.)
- Department and high-end stores have faced more off-price competition. Meanwhile, several major off-price retailers including Tuesday Morning, Stein Mart

and Payless Shoes have closed down.

- Delivery services flourished during the pandemic but now are wavering as consumers opt for the immediacy of visiting stores again, even if it is to pick up items ordered online minutes before.

As some of the retail elephants become extinct, small retailers can do what they do best: cater to the interests of their local customers.

Across the border

Cross border traffic is a key part of Southern Arizona's economy, with most of the goods exchanged with Mexico coming through the Nogales Port of Entry.

In May, according to the University of Arizona's Economic and Business Research Center, Arizona's imports from Mexico totaled \$1.1 billion, up 8.1% over the year before. The Number 1 import? Tomatoes.

Arizona exports to Mexico declined 4.6% in May, but still were \$711 million. Meanwhile, Arizona's exports to Canada increased by 21.0% over the year to \$234 million.

Hello? IRS?

Reaching the IRS has become easier, but getting an answer is still a question mark.

Thanks to new funding, the IRS has hired 4,000 new customer service representatives this year to answer phone calls. As a result, agents took 11 million more calls in the first four months of 2023.

During those same months in 2022, more than 73 million calls were made to IRS, but only 7.5 million were answered. For tax season 2023, the IRS received just 32 million calls - in part reflecting success in getting through the first time.

However, the American Institute of Certified Public Accountants (AICPA) reported that when its members got through to the IRS, 38% said they didn't get an answer to what they needed.

No more surprise visits

The IRS announced recently that it has ended a decades long practice of sending revenue officers unannounced to taxpayers' home and offices to collect unpaid taxes and seek unfiled tax returns.

The official explanation is that the move will "reduce public confusion and enhance overall safety measures for taxpayers and employees." In recent years, IRS agents making unannounced visits have increasingly been met with hostile and violent responses from taxpayers. Additionally, scam artists impersonating IRS agents have appeared at taxpayers' doors, causing further confusion.

The unannounced visits will be replaced with mailed letters to schedule meetings. There will be a very few exceptions, such as subpoenas and seizures

where assets might be hidden if forewarned. Also, the policy change does not apply to criminal investigations.

Greedflation

Here's a new economic term for you: greedflation.

The word has been applied to sellers increasing prices where competition lacks or supply is tight. It particularly has been used by critics for gasoline prices.

With capitalism, prices are set according to "what the market will bear," so greedflation really is nothing new.

Working longer

Seniors are increasingly returning to work, reversing a long trend toward early retirement.

"We've seen a bounce back in people returning to the workforce since the initial wave of pandemic resignations, mainly for economic reasons," said Andrew Schwedel of Bain & Company. He noted that people "have a need for greater income as they live longer."

Consulting firm Bain predicts that 150 million more workers over age 55 will be added by the end of the decade, accounting for more than a quarter of the workforce.

The Bain report found that older workers were more likely to be motivated by interesting work and autonomy as well as jobs centered around helping others. Meanwhile younger workers were more likely to take jobs focused on status and pay and that helped them make something of themselves.

AARP says less than four percent of companies have programs meant to help integrate older workers such as reskilling for current technologies and processes..



Promoted to quit

Workers who are promoted are more likely to quit, research by payroll processor ADP reported.

That sounds backward, and the research didn't explore why promoted people leave more often. Speculation is that the qualities, such as ambition, that could lead to promotion don't fit with long-term loyalty to a company.

ADP found that only 4.5% of workers are promoted within two years of being hired. Workers may decide to quit for another job rather than pursue a career with their current employer.

"We don't see a lot of promotions, and we don't see a lot of development," said ADP chief economist.

More than three-quarters of workers said they had been asked to take on more responsibility with no added pay, a recent study by JobSage discovered. Staffing firm Robert Half found a third of promotions came without a raise, so they were promotions in name only.

Burned out

While pay is definitely a key in employee dissatisfaction, there are other factors, too.

The Harvard Business Review identified six causes of burnout:

- Workload (feeling overloaded)
- Perceived lack of control (lack of autonomy, resources, input for decisions)
- Rewards (pay, but also intrinsic rewards)
- Community (relationships with colleagues and customers)
- Fairness (equitable treatment, acknowledgement of contributions, time demands, resources available)



-- Values mismatch (company culture, business direction, decision-making process)

While burnout is an attitude of an individual employee, bosses who are aware of the causes can structure work settings to minimize burnout.

Fired for helping

Chain retailer Lululemon faced criticism this summer for firing two employees who intervened during a theft at a Georgia store.

When two men wearing masks raced into the store and grabbed armloads of merchandise, one employee yelled at them to "get out." Another followed them out of the store. The thieves were later arrested.

When chastised publicly for penalizing workers who tried to defend the store, the company issued a statement that it has an "absolute zero-tolerance policy" for "engaging with guests in a way that could put themselves, or others in harm's way" and that "no amount of merchandise in a store" is worth the risk for an employee.

"You're dealing with potentially very aggressive and violent people committing these crimes," Lululemon CEO Calvin McDonald said. "Retailers have seen employees lose their lives when they've tried to intervene."

No more ERC claims

IRS has halted processing any new Employee Retention Credit (ERC) claims until at least January 2024. The agency said the moratorium is due to a surge in questionable claims and scams, and continuing aggressive marketing of the credit to ineligible taxpayers.

Court upholds firing

Citibank fired an analyst for falsifying travel expenses, and recently won in court when the man sued for wrongful dismissal.

The analyst turned in an expense claim for two sandwiches, two pasta dishes and two coffees. When questioned by his supervisor, the man said he had consumed them all "as they were very small" and that he should not "have to justify my eating habits to this extent."

It turned out that the second meal was eaten by his partner and wasn't eligible for reimbursement under the bank's policies.

"In considering the substantial merits of this case, I have found that this case is not about the sums of money involved," the judge said. "It is significant that the claimant did not make a full and frank disclosure."



Skills-based hiring

The competition for hiring good workers is leading many companies to focus on "skills-based hiring." As a result, college degrees and years of experience are being downgraded in importance.

About 20% of American adults have college degrees. When there were more applicants than openings, many major companies instituted degree requirements as a way of pruning the pile of resumes.

Smaller companies often were at a disadvantage, losing good candidates to major employers who hired based on degrees.

In the last few years, both private and public sector employers have dropped degree requirements for many jobs and now look for skills needed in those jobs.

A ZipRecruiter report suggests the shift could be due to lower college enrollment,

less interest in some fields, the increased simplicity of offshoring roles, and "rising skepticism about the value of a degree amid grade inflation and generative AI."

Still, nearly a quarter of employers told ZipRecruiter they've struggled to fill a vacancy because of a skills gap. As a result, 30% said they added new employee training and development programs in the past year.

Unretired

A growing number of retirees have headed back to work, especially after many were forced to retire in the pandemic, according to a new report from T. Rowe Price.

Around 7% of retirees are looking for work in retirement, while 20% say they're already working part time or full time.

The reasons are split almost evenly between those choosing to work for social and emotional aspects (45%) and those who need to work for financial reasons (48%).

"They're taking advantage of the tight labor market to unretire, often by picking up part-time work, flexible gigs, starting their own business, and even encore careers," author Chris Farrell said.

Social Security COLA

Social Security announced a 3.2% cost of living adjustment (COLA) for 2024.

The maximum amount of earnings subject to the Social Security tax will increase to \$168,600. Workers who are younger than "full" retirement age (FRA) may earn up to \$22,320 without affecting their benefits.

People born in 1958 may reach their full retirement age of 66 years and 8 months in 2024. Those turning FRA in 2024 may earn up to \$59,520.

Merry Christmas!

Our offices will be closed from 2 pm Friday, Dec. 22, through Jan. 1 for the holidays. We will open again on Tuesday, 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 rises

Arizona's minimum wage will increase 50¢ to \$14.35 per hour for 2024. The minimum wage is adjusted annually to the cost-of-living index under Proposition 206 passed by voters in 2016.

The City of Tucson's minimum wage also will be \$14.35. Under the 2021 city proposition passed by voters, the minimum wage for workers within the city limits would be \$14.25 for 2024. However, since that is less than the state minimum, the city will follow the state's rate.

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/divisions/labor-department>. The Tucson minimum wage webpage is <https://www.tucsonaz.gov/Departments/Business-Services-Department/Tucson-Minimum-Wage-Act>.

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 <https://www.irs.gov/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 -- 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 are issued. 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.

Audits, audits

We are seeing a surge in audit letters:

-- Unfiled sales tax returns as old as 2016 are being asked for.

-- IRS has started auditing Employee Retention Credits (ERC). The recent media coverage of ERC fraud has been prompted in part by IRS publicity, putting business owners on notice that IRS will pursue invalid ERC claims.

-- The 30-month deferral period for Economic Injury Disaster Loans (EIDL) is over. If you haven't started making payments, visit the SBA website at <https://www.sba.gov/> to set up a payment account.

