

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 state license renewal are handled by ADOR and filed through your aztaxes.gov account. The Bookkeepers will schedule renewal and payment if we do your sales tax reports.

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. You should have al-

ready received the city renewal form in the mail. If you need help with the form, please turn it in with your December work so we can fill it out and send it back.

It can be paid by mail, at a city cashier, or online at <https://tucsonaz.taxandrevenue.opengov.com>. This is a new address for Tucson online services, and existing license holders will need to register for a username and password.

W-4 and A-4 forms

Every Arizona employer is required to make Arizona's A-4 withholding form as well as the federal W-4 form available to its Arizona employees by Jan. 31.

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 2025 A-4 has seven withholding rate options, the same as on the 2024 form, topping out at 3.5%. (Arizona has only one income tax rate -- 2.5% of taxable income.)

The box for zero withholding option and the line for additional Arizona withholding also appear.

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 government but kept by the employer in their payroll records.

Mileage for tax time

IRS' standard rate for business mileage was 67¢ for 2024. As you tally up your business mileage for the year, remember to keep your mileage records with your tax papers. IRS requires written records for mileage to be deducted.

At publication time, IRS had not yet announced the standard business mileage rate for 2025.



2025 mileage rate

IRS has raised the standard mileage rate for business driving to 70¢ per mile for 2025, up three cents from 67¢ in 2024.

The mileage rates for medical and military moves stayed the same at 21¢, and driving for charitable purposes is fixed at 14¢.

Audit watch

With the first class of new IRS auditors now on the job, we are seeing more Schedule C audits. The trigger seems to be meal, travel and mileage expenses.

Since these are known "hot buttons" for IRS, be prepared with good records for your deductions.

Auditors look first for contemporaneous records such as logs and calendars, along with receipts. In other words, documentation recorded at the time of the expense, not reconstructed when the audit is announced.

Next is business purpose. Auditors look for comingling, paying personal expenses by the business. Ideally, each item should have a notation of the business reason.

Every tax return is scored by IRS for various areas that are subject to abuse, with highly scored returns flagged by the computer for a human auditor to review. With proper records, an audit can be resolved quickly and fairly painlessly.

Miss a meeting?

The CEO of a Wyoming-based musical-instrument online storefront fired 90% of his staff — 99 out of 110 employees and freelancers — for missing a morning meeting Nov. 15.

The company is a "lean startup" where essentially all of the staff work remotely. All of those fired were unpaid remote part-time interns, students looking for work experience.

The remote workers were located worldwide, making an 8:30 am Wyoming meeting time the middle of the night for some.

Restaurant failures reflect shifting trends

Red Lobster, THI Fridays, Rubio's Coastal Grill, Boston Market -- more than a dozen big restaurant chains filed for bankruptcy in 2024.

Industry buzz is that the hey-days of casual dining are over.

"Tastes change. And if a chain does not evolve with their customer base, then it's not uncommon for them to step aside," said Debtwire executive editor John Bringardner.

He noted that the pandemic caused restaurants to take on debt, making it hard for them to recover.

Also, he noted there's "particular trouble in the family restaurant or casual dining sector, and that's a function of changing eating habits among Americans."

He explained customers seem to be gravitating towards quick-service options that focus on fresh ingredients and fast turnover. As a result, restaurants may need to reevaluate their menus.

First drive-through

MacDonalds' first drive-through was in Sierra Vista following World War II. The army prohibited Fort Huachuca soldiers in uniform from entering businesses, so the burger shop opened a window to hand orders to uniformed patrons in their cars.

