

FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

IRS Warns of Identity Theft Signs

With identity thieves continuing to target the tax community, the IRS is urging you to learn the new signs of identity theft so you can react quickly to limit any damage.

The Common Signs of Identity Theft

Here are some of the common signs of identity theft according to the IRS:

- In early 2022, you receive a refund before filing your 2021 tax return.
- You receive a tax transcript you didn't request from the IRS.
- You receive a notice that someone created an IRS online account without your consent.
- You find out that more than one tax return was filed using your Social Security number.
- You receive tax documents from an employer you do not know.

Other signs of identity theft include:

- Unexplained withdrawals on bank statements.
- Mysterious credit card charges.
- Your credit report shows accounts you didn't open.
- You are billed for services you didn't use or receive calls about phantom debts.

What You Can Do

If you discover that you're a victim of identity theft, consider taking the following action:

- Notify creditors and banks. Most credit card companies offer protections to cardholders affected by identity

theft. Generally, you can avoid liability for unauthorized charges exceeding \$50. But if your ATM or debit card is stolen, report the theft immediately to avoid dire consequences.

- Place a fraud alert on your credit report. To avoid long-lasting impact, contact any one of the three major credit reporting agencies, Equifax, Experian or TransUnion, to request a fraud alert. This covers all three of your credit files.
- Report the theft to the Federal Trade Commission (FTC). Visit identitytheft.gov or call 877-438-4338. The FTC will provide a recovery plan and offer updates if you set up an account on the website.
- Please call if you suspect any tax-related identity theft.

If any of the previously mentioned signs of tax-related identity theft have happened to you, please call to schedule an appointment to discuss your next steps.

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Year-End Tax Planning Ideas For Your Business

Here are some ideas to lower your business taxes and get organized to prepare for filing your 2021 tax return.

- Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers and addresses for each of these vendors. We can prepare and mail the 1099 forms for you.

- Consider accelerating deferring revenue or expenses, based on profit projections.

- Section 179, or bonus depreciation expensing versus traditional depreciation, is a great planning tool. The qualified assets must be placed in service prior to year-end, though.

- Business meals are 100% deductible in 2021 if certain qualifications are met. Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose of the meal on each receipt.

- Consider any last-minute deductible charitable giving including stocks or mutual funds with unrealized gains.

- Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts



for a potential tax deduction.

- Be sure you have expense reports with supporting invoices to substantiate your tax deductions in the event of an audit.

- Organize your records by major categories of income, expenses and

fixed assets purchased to make tax return filing easier.

- Review your receivables. Focus on collection activities and review your uncollectable accounts for possible write-offs.

Make Payroll Taxes Easier in 2022

Employment taxes can be complicated, especially when you're required to file important tax documents throughout the year. Here's a quick recap of the most vital payroll tax forms and what you can do to make your payroll life easier heading into 2022.

Form 941 - Employer's quarterly federal tax return. This form is used to report income tax withheld from employees' pay and both the employer's and employees' share of Social Security and Medicare taxes. Employers generally must deposit Form 941 payroll taxes either monthly or semiweekly.

Form 940 - Employer's annual federal unemployment tax return (FUTA). This return is due annually at the end of January. However, FUTA taxes must generally be deposited once a quarter if the accumulated tax exceeds \$500.

Form W-2 - Wage and tax statement. Employers are required to send this document to each employee by January 31st each year. It reports employee annual wages and taxes withheld from paychecks.

Remind employees to review withholdings. January is a great time to remind your employees to check their tax withholding amounts. Various life events can potentially lead to one of your employees owing a different amount of taxes in 2022 than they owed in 2021.



Just the Facts: Borrowed Money Must Be Paid Back

In the back of every Form 1040 instruction booklet there's a section that shows where our federal government gets its money and where it is spent. Here is the data for the government's fiscal year ending September 30, 2019, as reported by the IRS in the 2020 instruction booklet for Form 1040. Please note that this spending is prior to COVID-19 relief bills.

Inflow: \$3.464 trillion	Outflow: \$4.448 trillion	Deficit: \$984 billion
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TOTAL INFLOWS

- 39% Personal Income Taxes
- 28% Social Security, Medicare, Unemployment Taxes
- 22% Borrowing to Cover Deficit
- 6% Excise, Customs, Estate, Gift and Misc Taxes
- 5% Corporate Income Taxes

SPENDING BREAKDOWN

- 42% Social Security, Medicare and other retirement. These programs provide income support for the retired and disabled and medical care for the elderly.
- 21% National defense, veterans and foreign affairs. About 15% of outlays

- were to equip, modernize and pay our armed forces and to fund national defense activities; about 4% were for veterans benefits and services; and about 1% were for international activities.
- 21% Social programs. About 15% of total outlays were for Medicaid, SNAP (formerly food stamps), TANF, SSI; and 6% for health research and public health programs, unemployment compensation, assisted housing and social services.
- 8% Net interest on the national debt (at historically low interest rates).
- 6% Physical, human and community development. These outlays were for agriculture and environment;

- transportation; aid for education and college assistance; job training; deposit insurance, commerce and housing credit; and space, energy and general science programs.
- 2% Law enforcement and general government.

SOURCE: IRS publication 11040gi, P.110, 2020 Tax Year

WHAT YOU NEED TO KNOW

Deficits of \$1 trillion are not sustainable. No matter where you fall on the political spectrum, annual deficits of \$1 trillion cannot be sustained. And remember, this information is detailing a pre-pandemic deficit. It may be several more years before the annual deficit gets back down to this level, if at all.

Government borrowing hurts all taxpayers. In 1990, \$50,000 worth of Certificates of Deposits (CDs) earned 8% interest, or \$4,164, each year. Today, that same \$50,000 earns just 0.6%, or \$301. What happened to the other \$3,863? Your interest income is now helping to cover money borrowed by the government in the form of lower interest rates. Look at 2019, almost one-fourth of the money spent by the federal government was borrowed!

Make a difference. Whether we should spend more or less is not the issue. It is that spending more than you bring in will cause big problems... eventually. We know money doesn't grow on trees. That money has to come from someplace and that someplace is from everyone. So make your voice heard... it's your money!

Create a payroll forecast. Be prepared for how much you'll spend on salaries and wages in 2022 by creating a payroll expense and benefit forecast. In addition to base salaries and wages, include the following in total salary and wage expenses: Your share of an employee's Social Security and Medicare taxes; health insurance premiums paid on behalf of employees; and any other benefits you provide to employees.

Ask for help. Payroll compliance involves many moving parts at the local, state and federal levels. Contact one of our offices to learn more about how we can take this stress out of your life by processing your payrolls and tax returns for you.



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**Wishing You
a Happy Holiday
Season and
a Prosperous
2022!**

Thank you for giving
us the opportunity
to serve you this past
year. Your business
is appreciated,
and your referrals
are welcome.

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.

**Christmas can't be bought from
a store. Maybe Christmas means
a little bit more.**

- DR. SEUSS

May all your
troubles soon
be gone. Oh,
Christmas lights
keep shining on.

- COLDPLAY

**Every problem has
in it the seeds of its
own solution. If you
don't have any
problems, you don't
get any seeds.**

- NORMAN VINCENT
PEALE

You have those moments where you
reflect and say, "No matter what I'm
going through at the moment,
you know what? Life ain't bad."

- DWAYNE WADE

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