ClientLine®

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BUSINESS CREDITS THAT CUT YOUR TAX BILL

Tax credits reduce the amount of tax you owe, whereas deductions lower your taxable income. There are several highly valued business tax credits you might not know about that could cut your tax bill.

WORK OPPORTUNITY

By hiring employees who have consistently faced significant barriers to employment, your company may be eligible for the Work Opportunity Tax Credit. Generally, the credit equals 40% of the first $6,000 of wages paid to the qualifying employee, with a maximum credit of $2,400 per worker. You and your employee will need to complete a form to notify the IRS that you plan to claim this credit.

EMPOWERMENT ZONES

If your business operates in a designated empowerment zone (an economically depressed area as determined by the IRS), you may be eligible for a tax credit of up to $3,000 per employee. To qualify, the employee must complete most of their work in the empowerment zone for the employer, and their principal residence must also be in the designated zone.

HEALTH INSURANCE

To encourage small companies to provide health insurance to employees, the IRS offers the Small Business Health Care Tax Credit worth up to 50% of the cost you pay for employees' premiums. There are several requirements for claiming this credit, including having fewer than 25 full-time equivalent employees and paying at least 50% of employees' premium costs.

EMPLOYEE RETENTION

One of the numerous corporate tax breaks that came out of the COVID-19 legislation was the Employee Retention Credit. If your business was shut down by government orders or sustained decreased sales, but you continued to pay employees, you could be eligible for up to $21,000 in tax credits per employee for 2021. Although the eligible pay periods expired in September 2021, you can still file amended payroll tax returns to claim any credit you're entitled to. The calculations for this credit are tedious so consult with your tax professional if you believe you qualify for the Employee Retention Credit.

BEWARE OF TAX SCAMS

Don't fall victim to scams during this tax filing season. Recognize these red flags.

The IRS doesn't initiate contact with taxpayers or request personal or financial information through phone, email, text message or social media. You'll usually receive several letters from the IRS before an agent calls you or comes to your home or business.

Also, the IRS doesn't call to demand immediate payment using a specific method, like gift cards or wire transfers. Any tax payments should be made directly to the *United States Treasury*. IRS personnel will never threaten to send local police or immigration officers to arrest you if you don't pay.

If you're ever in doubt about the legitimacy of messages or letters you receive, contact your tax professional right away, or call the IRS.

CLIENT PROFILE

Barry is looking for creative solutions to recruit and retain employees. What are some helpful ideas?

The first step is to identify the real cause of your staffing shortage. Are you paying competitive salaries and providing reasonable pay increases? Is there too much time between promotions?

Once you have identified any blind spots, you can likely identify employees who are most likely to leave and intervene with a targeted retention campaign. New hires are likely to be attracted to your newly revamped benefits, too.

Some popular perks to consider include: additional paid vacation days, educational opportunities, alternative schedules that allow employees to work early or late shifts, or even four 10-hour days, which promotes work-life balance.

The pandemic brought to life a new popular benefit—remote work. Some employees may be more productive in their quiet home office, saving you office space costs. Some may appreciate a hybrid approach, working remotely certain days of the week. Your research with current employees will provide information to make informed decisions.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

HOW ARE SOCIAL SECURITY BENEFITS TAXED?

While the general rule is that Social Security benefits are taxable, things like filing status and other sources of income determine how much tax you'll pay.

OTHER INCOME

Those with little or no additional income outside of Social Security typically won't pay any taxes on those benefits. Income from wages, self-employment income, and investment income, including tax-exempt interest, are all factors for determining how much of your benefits are taxable.

FILING STATUS

If you're married and file a joint return, you and your spouse must combine your incomes and Social Security benefits when figuring the taxable portion of your benefits.

TAX CALCULATION

You'll never pay taxes on more than 85% of your Social Security income. How much you'll pay depends on your total combined retirement income, calculated as half of your Social Security payments plus all of your other income.

The limit for singles and heads of households is $25,000, and joint filers have a $32,000 limit. If you exceed these limits, between 50% and 85% of your Social Security benefits will be taxable. The calculation is not

straightforward, so be sure to speak with your tax professional if you're expecting to start receiving Social Security soon.

STATE TAXES

Along with federal taxes, some states also tax Social Security benefits.

PAYING TAXES

If you owe taxes on your Social Security benefits, you can pay them when you file your tax return in April, just like you did when you were working.

Alternatively, you can make estimated payments throughout the year to avoid a big expense at tax time. You can also elect to withhold taxes from your payments by completing Form W-4V (voluntary withholding) and sending it to the Social Security Administration. You can opt to have between 7% and 22% withheld.

The True Cost of The Great Resignation

38%
of employees leave their jobs as a result of inadequate salary and benefits[1]

Replacing an employee can cost between 50%-60% of that employee's salary with overall costs ranging anywhere from 90%-200%[2]

Salary accounts for
70.1%
of total employee compensation[3]

[1]Robert Half, 2020 • [2]Society for Human Resource Management, 2020 • [3]Bureau of Labor Statistics, 2019

UNDERSTANDING INFLATION

Inflation affects all aspects of the economy, from consumer spending, business investment and employment rates to government programs, tax policies, and interest rates.

PRICE INCREASES

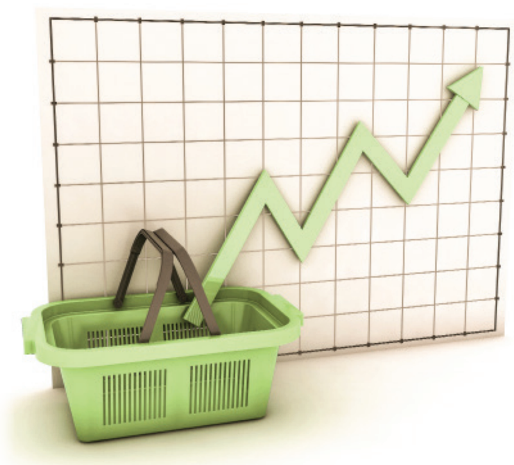
It's normal in a stable economy to see various price increases. However, inflation happens when prices continue to increase over a sustained period. When the demand for products and services exceeds availability, producers increase prices.

DOLLAR VALUE DECLINES

Because the amount of goods and services a given amount of money can buy falls with inflation, the dollar is less valuable. Commonly known as the time value of money, inflation decreases the value of a dollar over time, making what you have today worth less in the future.

STEALTH THREATS

Inflation poses a hidden threat to investors because it chips away at investment returns. Fixed income securities are especially vulnerable since the interest or coupon payment generally stays the same until maturity. That decreases the purchasing power of the interest payments as inflation rises. For example, an investment that returns 2% before inflation in an environment of 3% inflation will actually produce a negative return (–1%) when adjusted for inflation.



Q **How do I report my fantasy sports league winnings?**

A With the Super Bowl over and March Madness in full swing, winning the betting pool means paying taxes. Gamblers must report all winnings as taxable income. That includes the fair market value of any prizes won, such as cars or trips. Generally, you'll receive an IRS Form W-2G if your winnings are at least $600 and the payout is at least 300 times the amount of your wager.

If you itemize deductions on your taxes, you can deduct any gambling losses incurred during the year on Schedule A. But you are limited to deducting only to the extent you have winnings. So if you won $1,000 from your fantasy football team but lost $1,500 on your basketball brackets, you'll only be able to deduct $1,000 of those losses.

HIRING YOUR KIDS TO LOWER COMPANY TAXES

If you are self-employed, hiring your children as legitimate employees is a tax-saving strategy.

IT'S STANDARD

The standard deduction for 2022 is $12,950, which means the first $12,950 your child earns is tax-free. So you can shift income from you to your child, who is likely in a lower tax bracket than you.

Go one step further and insist your child contribute the majority of earnings to a college fund.

EMPLOYMENT TAX WIN

Children under age 18 are exempt from federal unemployment tax (FUTA) and FICA tax. Once they turn 18, you'll be responsible for paying the employer portion of FICA, but the children remain exempt from FUTA until they turn 21. That means if you pay your 17 year old $12,950 a year to run your social media marketing, you'll save over $1,400 a year in employment taxes.

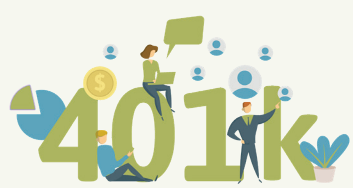
CAVEATS TO KEEP IN MIND

Your child must be an actual employee doing necessary work for your business, and must be paid a reasonable salary. Also, you'll need to onboard your child as you would any other employee. That means having them complete Form W-4 and I-9, sending them a Form W-2 at year-end, and having them fill in timesheets if they're being paid hourly.

ARE YOU ABOVE AVERAGE?

Here's a snapshot of the average U.S. household's finances. See how your finances compare.

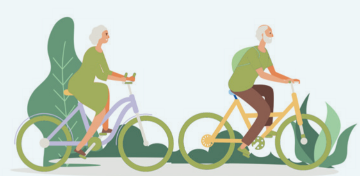
Gross Household Income:	$87,864
Checking Account Balance:	$10,618
Monthly Spending:	$ 5,102
Household Debt:	$145,000
Social Security Monthly Retirement Benefit:	$ 1,514
Credit Card Debt:	$ 6,194
FICO® Score:	711
Savings Rate:	13.7%



Average 401(k) Balance:
$106,478

BY AGE GROUP:

Under 25:	$ 5,419
25-34:	$26,839
35-44:	$72,578
45-54:	$135,777
55-64:	$197,322
65 +:	$216,720



Average Retirement Savings:
$407,490

BY GENERATION:

Gen Z:	$ 35,197
Millennials:	$ 166,430
Gen X:	$ 568,750
Baby Boomers:	$1,029,840