ClientLine®

RUSK
& Company, P.A.
Certified Public Accountancy

Michael H Rusk, CPA
mrusk@ruskcpa.com
Tel: 410-821-8700
Fax: 410-821-8701
www.ruskcpa.com

Accounting, Audit, Tax Planning & Preparation, Financial Planning

May 2022

THE WORK OPPORTUNITY TAX CREDIT

Hiring people with significant barriers to entering the workforce could earn your business a tax credit of up to $9,600 per worker. It's available through the Work Opportunity Tax Credit (WOTC), which was extended through 2025.

TARGETED GROUPS TO HIRE

The purpose of this program is to entice business owners to hire underprivileged people from target groups. You can usually obtain a list of potential applicants through your state workforce agency, but here are some of the eligible groups of potential employees:

- Long-term unemployed (those collecting unemployment benefits for at least 27 consecutive weeks)
- Most veterans
- Food stamp or SSI recipients
- Qualified ex-felons

There is no limit to the number of new team members you can hire to qualify for the credit. However, there is a requirement that the new hires work a specified number of hours. Your tax professional can provide more information.

HOW TO QUALIFY A WORKER

Before claiming the credit, employers must apply for and receive a certification, verifying that the new hire is a targeted group member. This is done by completing IRS Form 8850 and a Federal Department of Labor Form 9061, which is then submitted to your

state workforce agency. Keep in mind that both the potential new hire and the employer must sign these forms, and they should be forwarded to your state within 28 days of the employee's start date.

If your new hire qualifies for the WOTC targeted group, you'll receive a certification from the state workforce agency.

APPLY FOR THE CREDIT

Once an employee is deemed qualified, you must submit an application for the credit to the IRS along with the business's or owner's tax return. The credit amount is based on the category of workers, the hours worked and wages paid to them in their first year. Most employers will then claim the WOTC as a general business credit against their income taxes.

EMERGENCY FUNDS

Everyone experiences unexpected financial emergencies — broken appliances, a major car repair, a damaged cell phone, or worse, a job loss. Having some cash set aside to cover unexpected expenses can help you stay afloat without having to rely on credit cards.

Aim to accumulate a few months' worth of living expenses in a high-yield, easily accessible savings account. To help boost the balance, consider depositing your tax refund and any pay raises in your emergency fund. Or better yet, adjust your W-4 to have just enough withheld and put the difference into your emergency fund each month.

Although you may be tempted to invest this money in the stock market, keep in mind that you'd have to sell your investments before you can access the funds—potentially when the market is low. Also, it may take a few days to get your funds, and you may incur taxes on the withdrawal.

CLIENT PROFILE

Lucy is preparing to open her hair salon, but she isn't sure what types of insurance she'll need. Beyond health insurance for herself, what other insurance policies should she have?

Lucy should secure a general liability policy that will help protect her company if a client is injured. For example, slipping on a wet floor. Since general liability insurance pays claims she may owe to others, she'll also want to consider commercial property coverage. This will cover losses if any of her equipment or building is damaged.

If Lucy plans to hire employees, the state will require her to obtain a workers' compensation policy to cover workers who are injured on the job.

Other optional insurance policies Lucy should evaluate include: business income interruption, professional liability, commercial umbrella, disability and life. She may not need all of these policies but should review them with her insurance professional to make an informed decision.

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

TAXES AND MARRIAGE

Getting married usually triggers a multitude of changes to your life, but one change that you may not have considered is how marriage affects your taxes. For example, your tax filing status may change, most often from filing single to married filing jointly. When it comes to taxes and marriage, here are some things you should consider:

CHANGE OF ADDRESS

Marriage often means at least one spouse will have a new address. In these situations, use Form 8822, Change of Address, to let the IRS know.

DUAL WITHHOLDING

If both spouses earn wages, you'll want to review your withholding rates, which may need to be adjusted to account for your new joint filing status.

With a higher combined income, you may be bumped into a higher tax bracket and may find yourselves subject to the 0.9% Additional Medicare tax.

MARRIED FILING SEPARATELY

While most couples benefit from filing a joint tax return, some may benefit from filing separate returns. This is known as married filing separately and can help when one spouse has significantly more income than the other, or if one person has sizable medical expenses.

Make this decision with your tax professional because married filing separately has its drawbacks, including losing the ability to claim certain tax credits.

TAX-FAVORED BENEFITS

Be sure to review your workplace benefits now that you're a couple. Marriage is a life change that generally allows you to make plan modificatons immediately, instead of waiting for the next open enrollment period.

Considerations include coordinating health care coverage and flex spending account contributions. Just like your tax withholding, you'll need to analyze how these tax-preferred benefits fit into your new lifestyle. And don't forget to update beneficiary information on your retirement accounts and insurance policies.

Of course you know that it is important to work together on your finances and agree on financial priorities. Work with a financial and tax professional from the start to help make the most of your finances.

IN 2021 there were

SHOP

32.5 MILLION SMALL BUSINESSES

in the U.S, representing ***99.9% of all businesses***

AND THEY EMPLOYED 60.6 MILLION WORKERS.

Source: SBA and Small Business Trends Alliance (SBTA), 2021

SUMMER JOBS FOR KIDS

Taking a summer job is a rite of passage for kids and an excellent way for them to learn financial responsibility while earning and spending their own money.

TAX WITHHOLDING

Generally, a child working a W-2 job, earning less than the 2022 standard deduction amount of $12,950, is considered a dependent and won't need to file a tax return. However, it may be a good idea to file if federal income tax was withheld, because the child may be entitled to a refund.

BRANCHING OUT

When minors start doing things like babysitting or lawn care, they are technically self-employed. In this case, generally, if their net earnings (gross income less all eligible business expenses) exceed $400, they will need to file a tax return. Be sure your child keeps track of their expenses for things like mileage and equipment purchases.

When your children start earning their own money, help them learn about budgeting and saving. Distinguishing between wants and needs will help them create a realistic budget while saving money.

Q **We plan to rent out our primary residence for the summer while we are on vacation. Will we have to pay tax on that rental income?**

A The general rule is that if you rent your residence for more than 14 days, you'll report the rental income and deduct any related rental expenses on Schedule E. Be sure to allocate the costs between rental and personal use. However, there is an exception, commonly called the Augusta Rule, that applies when you rent your residence for less than 15 days. Then you'll generally not need to report this rental income. Consult your tax advisor.

VIRTUAL OFFICE OPTIONS

According to Zapier, 71% of millennials believe that offices will be replaced with most positions being done remotely by 2030. Meanwhile, virtual offices fill the void for services found in the workplace.

PROFESSIONAL CREDIBILITY

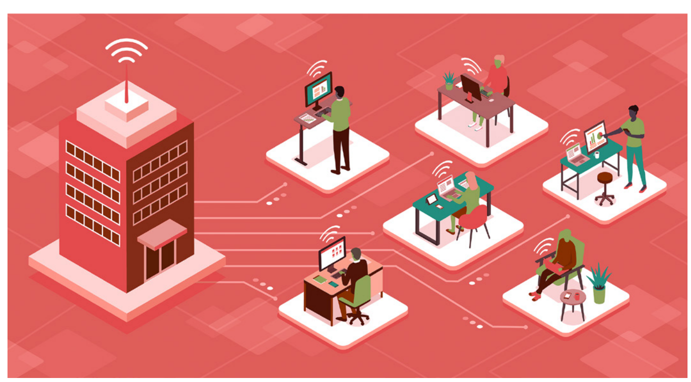
When you operate your business out of your home, you want to protect your privacy. You can do that by using a virtual office that comes with a business address that you can use on your business cards and website. This can also increase professionalism and portray a legitimate business image.

FLEXIBLE OPTIONS

Virtual office companies offer a variety of services, ranging from providing a business address to offering co-working and individual offices to rent that reflect a traditional office setting. Most will offer fast wifi speeds, mail forwarding, and conference room access. This is an attractive option if you need to meet with clients or prefer working outside the home. Virtual offices have become increasingly popular for startups, small businesses, and individuals.

BUDGET FRIENDLY

Using a virtual office won't bust your budget. Depending on the level of service you require, you can expect to spend between $50 and $300 per month. And most don't require a long-term lease as you'd expect with a traditional office. Many offer a month-to-month option.



CONSISTENCY IS KEY FOR RETIREMENT INVESTORS

Slow and steady like the tortoise or fast and furious like the hare? Which investing approach do you think offers the best chance of saving enough for a comfortable retirement? For a long-term investor, being a tortoise has its advantages.

THE HARE INVESTOR

Instead of starting to invest when they begin working, hare investors wait to set money aside for retirement. To compensate, hare investors may have to contribute much more to their retirement accounts to make up for their late start.

THE TORTOISE INVESTOR

Tortoise investors start contributing to a retirement account as soon as they're receiving a paycheck — and keep contributing steadily throughout their working years. By starting early and reaping the benefits of compounding (earning interest on interest), tortoise investors may have to contribute less of their own money to achieve their goals.

TIPS FOR TORTOISES

Consider setting your savings on autopilot by earmarking money from each paycheck to go into your account. Choose an investment mix that reflects your risk tolerance and time frame. Your financial professional can help you accomplish this while creating a diversified portfolio that may help cushion market swings.

00002

P-270923 om045693

CL-269 MAY 2022