



KELLY, NOLAND & DUCOTE

A PROFESSIONAL ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Johnnie Vines Kelly, CPA
Terry L. Noland, CPA
Kenda Kelly Ducote, CPA

P.O. Box 1317
West Monroe, Louisiana 71294-1317
Phone (318) 325-0483
Fax (318) 325-0453

Members
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

January 1, 2022

Dear Client,

We will again call to your attention some of the changes in the tax law that will commonly affect the most people. There are other changes that will affect a limited number of people in specialized areas that are not covered here.

1. Payroll and payroll taxes.

- a. **Social Security Wage Base for 2022: In 2022, the first \$147,000 of wages or SE income will be subject to the Social Security component of the FICA tax. Once again, there will be no limit on the wages or SE income subject to the Medicare component of the tax. Employees and employers will each pay a FICA tax rate of 7.65% in 2022 (Social Security tax rate of 6.2% plus the Medicare tax rate of 1.45%) while the self-employed will face a combined tax rate of 15.3%. Wages above \$200,000 on singles and \$250,000 on married couples are subject to additional tax of 0.9%. Household Employees – must pay \$2,300 or more in wages in 2022 to require coverage for social security/Medicare tax.**
- b. The base on which Federal Unemployment Tax is levied will remain \$7,000 per employee. The federal rate will be .006 for 2022.
- c. The Louisiana Unemployment Tax will be assessed on a wage base of \$7,700. Must report new employees to the state within 20 days. Internet: www.dss.state.la.us Tele: 504 342-4591, 888 223-1461.
- d. Social Security recipients will receive a 5.9% increase in benefits for 2021. However, you may have an increase in your Medicare insurance premiums.
- e. Individuals who are below full retirement age at the end of 2022 can earn up to \$19,560 before benefits will be reduced.
- f. **REMEMBER TO HAVE ALL NEW EMPLOYEES FILL OUT THE “SECOND INJURY REPORT” PROVIDED BY YOUR WORKMEN COMPENSATION CARRIER.**
- g. The treatment of employees as “contract labor” or sub-contractors may result in penalties being assessed against the employer for failure to withhold FICA and income taxes from the employee’s wages. This penalty can be assessed even though the employee paid his social security, self-employment and income tax liability. Form SS8 is available to obtain a ruling on employee vs. sub-contract.
- h. The law presently requires that you give a 1099 information return to anyone to whom you pay \$600 or more for services during the year. You will need to be sure and get correct names, addresses and identification numbers where applicable. All payments made to attorneys for \$600 or more must be reported even if they are incorporated. The above rules also apply to self-employed, farmers and rental landlords.
- i. Failure to include social security or employer identification numbers on W-2s and or 1099s will result in a penalty per missing number.
- j. The minimum wage is at \$7.25 per hour for those covered by the minimum wage provisions.
- k. Be sure to provide recap of expenses on checks written to cash. Otherwise, the State Unemployment Office assumes that the cash was paid to an individual for services and thereby assesses unemployment taxes.

2. Tax treatment for family employees: **(Sole Proprietorship ONLY)**

	<u>Family Employees</u>	<u>Income Tax Withholding</u>	<u>Social Security</u>	<u>LA & Federal Unemployment</u>
a.	Son or daughter under 18 employed by parent	Taxable	Exempt	Exempt
b.	Work done for one's son, daughter, or spouse. Service by a child over 18 but under 21 for a parent.	Taxable	Taxable	Exempt

3. Job Service <https://www.laworks.net/wotc/>

You can use Job Service to screen your new employees and you may be entitled to job credits. All Enterprise Zone employers must use Job Service to screen new employees to qualify for the Enterprise Zone credit.

4. Earned Income Credit.

If you have an employee who may qualify for the earned income credit, you must advise them that they can receive the credit in advance. The qualified employee must complete Form W-5.

5. Request for Taxpayer Identification Number and Certification (Form W-9).

You may use this form to request an identification number from persons to whom you are required to give Form 1099.

6. **Sales Tax Reminder.**

- a. These are the current rates for sales taxes: Louisiana state sales tax 4.45%, West Ouachita Parish 5.99%, Monroe 5.99%, and West Monroe 5.99%. Town of Sterlington 6.5% and East Ouachita Parish 5.99%.
- b. Purchases of all types of supplies, equipment, computer software and other purchases for the operation of the business (not for resale) from outside or inside the State of Louisiana require state and local sales tax to be paid by you. This includes all mail order and catalog purchases. If you are not charged this tax, then you are liable for this tax (use tax) and should contact us if you need assistance in filing and paying the tax.
- c. Sales reflected on your sales tax returns should be the same as those reflected in your sales journals.
- d. Any allowable deductions should be stated on the proper lines on your sales tax returns.
- e. Do not use business credit cards for personal bills. Any personal purchases from catalogs and out of state become subject to use tax.

7. Secretary of State Filing Fee Report.

In order to operate as a registered business in Louisiana, you are required to submit annual filing fee reports to the Secretary of State. Effective 1/1/18 all annual reports must be done online through Geaux Biz. We can prepare the report and pay your fee and then bill you.

***ALERT: Forms coming from Louisiana Corporate Compliance, Business Services Division are NOT official. They ask for \$125.00. DO NOT PAY.**

8. Property Tax Forms.

You should be receiving blank property tax forms from the appropriate assessor's office shortly. Please mail these blank forms to us when you receive them so that we may complete them. Again, if you prepare the form yourself, please send us a copy to maintain in your file. If you maintain inventory, you must make a copy of your entire property tax notice, not just the stub, and both sides of your cancelled check to attach to your return to receive the inventory tax credit.

9. Federal business mileage reimbursement rate for 2022 is 56 cents, charity 14 cents, and medical 16 cents

10. If you wish for us to complete your company's annual workmen's compensation audit forms, please mail the form to us as soon as it is received in your office.

11. Workmen's Compensation coverage is an important insurance for your business. Make sure your coverage and reporting is up to date. Workmen's Compensation coverage must be maintained on casual and sub-contract labor unless they

provide you with proof of Workmen’s Compensation Insurance.

- 12. Check up on social security retirement records. Go to the Social Security website to review your record of earnings.
- 13. Each business should consider maintaining a blanket fidelity bond on their employees as protection from theft loss. Contact your insurance agent for coverage. Each business owner should review the cancelled checks returned by the bank each month. Do not place sole responsibility for accountability upon office personnel. None of our services can be relied on to detect errors, irregularities, or illegal acts that may exist. However, we will inform you of any material error that comes to our attention.
- 14. You should consider holding business and/or rental property in an LLC for liability protection.
- 15. For 2022, business meals are 100% deductible only when valid business discussion is held.

There is no deduction for club dues or entertainment facilities. This provision applies to all types of clubs including athletic, luncheon, social, and sporting, hotel and air travel clubs.

Travel expenses for spouses, dependents or others accompanying a person on a business trip will no longer be deductible unless the spouse (or other individual) is a bona fide employee of the taxpayer paying the expenses, the spouse’s (or other’s) travel is for a bona fide business purpose and the expenses would otherwise be deductible.

Taxpayers making charitable contributions should be aware of substantiation rules. For donations of \$250 or more, written substantiation of the contribution from the charity will be required if a deduction is claimed. Cancelled checks alone will not constitute sufficient substantiation. No cash contributions are deductible unless proven.

Moreover, a charitable organization that receives a contribution exceeding \$75 made partly as a contribution and partly in consideration for goods or services will generally be required to (1) inform the donor in writing that the amount of the contribution which is deductible is limited to the excess of the amount contributed over the value of the goods or services provided by the organization and (2) provide a good faith estimate of the value of the goods/services.

- 16. Update business insurance policies to reflect new or disposed of equipment.
- 17. Annual Retirement Plan Amounts – 2022.

Limits on elective salary deferral-contributions under your 401K plan are as follows:

<u>Year</u>	<u>Compensation Limit</u>	<u>Under Age 50</u>	<u>Over Age 50</u>
2022	\$305,000	\$20,500	\$27,000

Limits on salary deferrals to SIMPLE IRAs are as follows:

<u>Year</u>	<u>Under Age 50</u>	<u>Over Age 50</u>
2022	\$14,000	\$17,000

IRA (including Roth-IRA) contribution phased-in as follows:

<u>Year</u>	<u>Under Age 50</u>	<u>Age 50 and Over</u>
2022	\$6,000	\$7,000

Health Savings Accounts:

	<u>Self</u>	<u>Family</u>
Maximum Deductible	\$3,650	\$7,300
Catch-up – Over age 55	1,000	1,000

- 18. Establish office policies concerning vacation, sick pay, office hours and other employment policies. If you need help, we will be glad to assist you with writing an employee handbook.
- 18. Lock the Door on Internal Theft.

Your security cameras may be facing the wrong way. Fraud by employees is a bigger problem than the sticky fingers of

customers. Consider not hiring a person who has a relative already working for you.
Theft peaks during the holidays.

How bad is it: Small businesses now lose an average of \$9 per worker per day to employee theft.

Advice: Follow an old Cold War maxim, "Trust but verify." A police like state isn't necessary, but a handful of subtle moves can combat in-house crime, both before and after hiring:

Don't skip background checks, drug screening, and credit checks on new employees. Credit Checks: www.choicepoint.com.

Divide financially related tasks. The worker who opens the mail, for example, should not reconcile the accounts. Limit the number of employees approved to sign checks and rotate those who handle checks or inventory.

Perforate paid invoices or stamp them "paid" to preclude duplicate payments.

Randomly review financial records for inconsistencies.

Shore up your accounting system security to prevent unauthorized access and create "audit trails" to track who's using the system.

Make your written anti-fraud policy clear to employees in interviews, orientation, reviews and even on check stubs. Set up a reward program for reporting in-house fraud.

Obtain employee dishonesty insurance/crime insurance. Have insurance agent send CPA a copy of certificate.

Consider having business bank statements mailed to your home where you can open and review for dishonest transactions.

19. Don't Delay Overtime Payments – Even If Employees Ask

It is important to pay overtime at the same time you pay for regular work hours. A recent court decision gives added importance to the timing of overtime payments, which many employers delay for several weeks. Overtime is calculated on a week-by-week basis. Bottom line for you: Overtime payments can't be delayed beyond the next pay period after the calculation can be made.

20. Social Networking – A part of your employee handbook should be your policy regarding Internet and cell phone usage.

Remember that you are responsible for any actions taken by your employees via the Internet. You are responsible for harassment lawsuits if your employees use the Internet to send sexually explicit information to fellow employees.

21. Back up important computer and server data and store off premise.

22. 2022 Annual Gifting Exclusion, \$16,000 per gift to an individual.

IMPORTANT

Due dates for Partnership, LLC, & S Corporation Returns	March 15, 2022 September 15, 2022 if an extension is filed
Due dates for C Corporation Returns:	April 15, 2022 October 15, 2022 if an extension is filed

REQUIRED MINIMUM DISTRIBUTIONS AND CONTRIBUTIONS TO CHARITY

If you are taking required minimum distributions from a retirement account, consider donating a portion or all your RMD directly to charity. Doing so will reduce your taxable income even if you no longer itemize your deductions due to the increase in standard deduction. You must be at least 70 years old to take advantage of this option.

This outline has been prepared to merely alert you of changes which may or may not affect your tax situation. We will be glad to consult you on your personal, specific tax problems and answer questions on an individual basis.

Warmest Regards,
Kelly, Noland & Ducote, APAC

