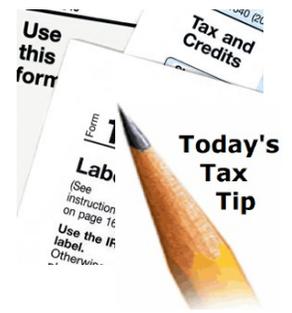




# Tax Newsletter

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## NOVEMBER 2021

### *Upcoming dates:*

- November 11** – Veterans Day
- November 25** – Thanksgiving Day

### REMINDER

Conduct year-end tax and financial planning

Time is running out to minimize your tax obligation before the end of the year! This month's newsletter features several tax moves to consider making by December 31st to lessen the amount of money you owe to the IRS.

Review the Social Security benefits and their recent changes, as well as ideas for your business are outlined in this month's newsletter.

Please call if you would like to discuss how this information could impact your situation. If you know someone who could benefit from this newsletter, feel free to send it to them.

### ***Tax Moves to Make Before Year End***

There are always moves you can make to reduce your taxable income. Some of these tax-saving moves, however, must be completed by December 31. Here are several to consider:

- **Tax loss harvesting.** If you own stock in a taxable account that is not in a tax-deferred retirement plan, you can sell your underperforming stocks by December 31 and use these losses to reduce any taxable capital gains. If your net capital losses exceed your gains, you can even net up to \$3,000 against other income such as wages. Losses over \$3,000 can be used in future years. Be sure you do not repurchase the same stock within 30 days, or the loss will be deferred.
- **Take a look at your estimated 2022 income.** If you have appreciated assets that you plan on selling in the near future, estimate your 2022 taxable income and compare it to your 2021 taxable income. If your 2022 income looks like it may be significantly higher than your 2021 income, you may be able to sell your appreciated assets during 2021 to take advantage of a lower tax rate. The opposite also holds true. If your estimated 2022 taxable income looks like it may be significantly lower than your 2021 taxable income, lower tax rates may apply if you wait to sell your assets in 2022.
- **Max out pre-tax retirement savings.** The deadline for you to contribute to a 401(k) plan and be able to reduce your taxable income on your 2021 tax return is December 31. See if you are able to set aside a little more money from each of your paychecks through the end of the year to transfer into your retirement savings accounts. For 2021, you may contribute up to \$19,500 to a 401(k), plus another \$6,500 if you're age 50 or older. Also, you have until April 18, 2022, to contribute to a traditional IRA and be able to reduce your taxable income on your 2021 tax return.
- **Make cash charitable contributions.** If you're like 90% of all taxpayers, you get no tax benefit from charitable contributions since you don't itemize your personal deductions. On your 2021 tax return, however, you may contribute up to \$300 in cash to a qualified charity and deduct the amount, whether or not you itemize your deductions. Married taxpayers who file jointly may contribute \$600. You can make your contribution by check, credit card, or debit card. Remember that this above-the-line deduction is for cash contributions only, and it does not apply to non-cash contributions.

- **Bunch deductions so you can itemize.** Are your personal deductions near the amount of the standard deduction for 2021: \$12,550 for singles, \$18,800 for head of household, and \$25,100 for married filing jointly? If so, consider bunching your personal deductions into 2021 so that you can itemize them this year. The easiest way is to bunch 2 years of charitable contributions into a single year. These can include gifts of appreciated stock where you get to deduct the fair market value without paying a capital gains tax.

## Social Security Announces 2022 Adjustments

**YOUR 2022 SOCIAL SECURITY** benefits have changed.

### AVERAGE RETIREMENT BENEFITS

#### Starting January 2022

- All workers in 2021: \$1,565/mo.
- All workers in 2022: \$1,657/mo.
- The 2022 maximum Social Security retirement benefits for a worker who is retiring at the full retirement age: \$3,345/mo.

#### DID YOU KNOW...

- **97% of U.S. citizens** over the age of 60 either receive Social Security or will receive it.
- **1 in 4 seniors** expect it to be their primary source of income.
- Social Security pays benefits to more than **70 million people**, including retirees, children, and surviving spouses.

### 2022 SOCIAL SECURITY AND MEDICARE TAX RATES

If you work for someone else...

- Your employer pays **7.65%**
- You pay **7.65%**

If you're self-employed...

- You pay **15.3%**

*NOTE: The above tax rates are a combination of 6.2% for Social Security and 1.45% for Medicare. There is also 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.*

Item	2022	2021	Change
Maximum amount that you may pay in Social Security taxes	\$ <b>9,114.00</b>	\$ 8,853.60	+ \$260.40
Maximum earnings amount that Social Security will tax at 6.2%	\$ <b>147,000.00</b>	\$ 142,800.00	+ \$4,200.00

- **165+ million** people work and pay Social Security taxes
- Social Security has provided financial protection for Americans **since 1935**

### SOCIAL SECURITY PAYMENTS EXPLAINED

- **Social Security** retirement benefits are for people who have paid into the Social Security system through taxable income.
- **Social Security Disability** (SSD or SSDI) benefits are for people who have disabilities, but have paid into the Social Security system through taxable income.
- **Supplemental Security Income** benefits are for adults and children who have disabilities, plus limited income and resources.

## MAXIMUM SSI PAYMENTS

Filing Status	2022	2021	Change
Individual	\$841/mo.	\$794/mo.	+ \$47
Couple	\$1,261/mo.	\$1,191/mo.	+ \$70

## HOW DOES SOCIAL SECURITY WORK?

- When you work, you pay taxes into Social Security.
- The Social Security Administration uses your tax money to pay benefits to people right now.
- Any unused money goes into Social Security trust funds and is borrowed by the government to pay for other programs.
- Later on, when you retire, you receive benefits.

## HERE'S HOW YOU QUALIFY FOR RETIREMENT BENEFITS

When you work and pay Social Security taxes, you earn credits toward benefits. The number of credits you need to earn retirement benefits depends on when you were born.

- If you were born in **1929** or later, you need **40 credits** (10 years of work) to receive retirement benefits
- The earnings needed to qualify as a credit in **2022** is **\$1,510**
- **4 credits** maximum per year

## DID YOU KNOW YOU CAN CHECK YOUR BENEFITS STATUS BEFORE YOU RETIRE?

- You can check online by creating a my Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.
- This statement shows your year-by-year earnings, as well as estimates of retirement, survivors, and disability benefits you and your family may be able to receive now and in the future.
- If it doesn't show earnings from a state or local government employer, contact them. The work may not be covered within Social Security.

Sources: SSA.gov

## ***Year-End Tax Planning Ideas For Your Business***

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

The following are some ideas to consider in order to help manage your small business and prepare for filing your upcoming 2021 tax return.

- Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TIN) for each of these vendors.
- Determine if you qualify for the Paycheck Protection Program safe harbor threshold that allows you to deduct certain 2020 expenses on your 2021 tax return.
- Consider accelerating income or deferring earnings, based upon profit projections.
- Section 179, or bonus depreciation expensing versus traditional depreciation, is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year end.
- Business meals are 100% deductible during 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 long-term capital gain stocks.

- 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.
- Set up separate business bank accounts. Co-mingling business and personal expenses in one account is not recommended.
- Create expense reports. Having expense reports with supporting invoices will help 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 your 2021 fourth quarter estimated tax payment before January 18, 2022.

## ***The Importance of Comparative Financial Statements***

An up-to-date balance sheet, income statement, and statement of cash flows are essential financial reports that you need to consistently analyze. But these financial statements alone don't tell the whole story about your business. Consider the following:

- **Company XYZ:** The most current balance sheet shows \$1 million in liquid assets with zero liabilities.
- **Company ABC:** The most current income statement has a net profit margin of 35%.
- **Company 123:** The statement of cash flows shows that the company has consistently brought in more cash than it has spent over the past 3 years.

Here's the rest of the story:

- **Company XYZ:** Liquid assets decreased from \$5 million to \$1 million over the past 12 months.
- **Company ABC:** Net profit margin is typically around 20% for this company. However, a recent round of layoffs temporarily pushed total salaries and wages lower, while pushing the net profit margin much higher.
- **Company 123:** There has been a steady decline in positive cash flow over the past 3 years.

These examples show the importance of analyzing your financial statements in comparison with something else. Reading through the first list of bullet points only tells part of the story.

### **What you can do**

The following are several types of comparative financial statements you may create for your business and some tips for getting the most out of these reports;

- **Current period vs. Prior period.** Compare this month to the same month one year prior (October 2021 vs. October 2020) or compare by year (2021 Year-to-Date vs. 2020 Year-to-Date).
- **Use both absolute figure and percentages.** Percentages allow you to quickly see the degree of change between the two periods that are being compared.
- **Ask for help!** Please call if you would like help creating or analyzing comparative financial statements for your business.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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*This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at 304-233-5030.*



**PLEASE NOTE THAT OUR BUILDING AND FRONT ENTRANCE ARE CURRENTLY UNDER CONSTRUCTION FOR A REMODEL. IF YOU NEED TO VISIT THE OFFICE, PLEASE CONTACT US AT 304-233-5030 SO THAT WE MAY ARRANGE FOR YOU TO ENTER THROUGH THE BACK ENTRANCE OF THE PARKING LOT. THANK YOU.**

