

ClientLine®

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UNDERSTANDING FORM 1099 FOR YOUR BUSINESS

In January, your company may need to send 1099s to certain individuals and some businesses. And you might receive a few. Learn about the common Form 1099 that companies send and receive.

TAX ID NUMBERS

All 1099s are called informational returns and require a tax identification number (TIN), which could be a Social Security Number (SSN) or an Employer Identification Number (EIN), depending on how the company is structured. Ask your vendors to complete Form W-9 before making any payments to them. This document provides all the information you'll need for tax reporting, including company name, address, TIN and tax classification.

NON-EMPLOYEE COMPENSATION

Form 1099-NEC is the most common informational return, and it's sent to anyone you paid \$600 or more for services in 2021. This excludes employees who will receive a Form W-2 for their wages. A 1099-NEC is sent to sole proprietors, partnerships and most limited liability companies who worked for your business. Examples include independent contractors, janitors, attorneys, and anyone you paid who's not on your payroll.

MISCELLANEOUS PAYMENTS

You may have made other reportable payments during the year that you'll need to include on Form 1099-MISC. This may include rent, royalties, medical and health care expenditures or funds you paid to an attorney for a settlement agreement. But don't include the attorney's fees for the legal service and advice they provided. Those are reported on 1099-NEC.

CREDIT CARD PROCESSING

If your business accepted credit card payments during the year, you might receive a Form 1099-K from your merchant processor. However, if you use a third-party payment network like Paypal, they must provide one to you if you received more than \$20,000 and had more than 200 transactions in the year.

CHECK THE CALENDAR

Generally, 1099s must be provided to the recipient by the last day of January with copies sent to the IRS by February 28 if filing paper forms, or March 31 if you submit them electronically. However, there is an exception for the 1099-NEC, which is due to the recipient and the IRS by January 31.



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Form 1099 for Individuals

From selling a home to earning interest on a bank account, most taxpayers receive a Form 1099 at some time. Common 1099s individuals receive include:

1099-DIV – When you own a stock or other security and receive a distribution of more than \$10.

1099-INT – When you receive more than \$10 in interest from a financial institution.

1099-G – When you receive unemployment compensation, a state or local income tax refund, certain agricultural payments or taxable governmental grants.

1099-R – When you withdraw at least \$10 from retirement plans, IRAs or certain insurance contracts.

1099-S – When you make at least \$600 from the sale or exchange of real estate.

1099-SA – When you make payments or distributions from your health or medical savings account.

SSA-1099 – When you receive benefits from the Social Security Administration.

THE ADVANCE CHILD TAX CREDIT

When Congress enacted the American Rescue Plan in early 2021, it increased the child tax credit and required half of it to be paid in advance via monthly payments. While it's intended to help families with everyday expenses, there are tax considerations to keep in mind.

RECEIVED TOO MUCH?

Advance payments are based on the IRS' estimate of your 2021 child tax credit using your most recent tax return. Generally, if the total payments received are more than the actual 2021 credit, you'll need to repay the excess. There are repayment exceptions for some lower-income taxpayers.

Repayment could happen if you have a child you've previously claimed but who is now no longer your dependent or if your income increased and it's now above the limits. The child tax credit begins to phase out for single taxpayers with adjusted gross income above \$75,000 (\$150,000 for married filing joint).

OPTED OUT?

If you opted out of the advance payments, you'll still be able to claim the credit on your 2021 tax return as you have in the past.

BREAK EVEN OR NO REFUND?

If you historically break even on your tax return, either owing very little or receiving a small refund, receiving advance payments may cause you to have to pay when you file your 2021 return.

For example, with a 10-year-old child, the credit was worth \$2,000 in 2020, which lowered a family's tax bill by that amount when they filed their return. In 2021, the credit will be \$3,000 for the same child, but half was paid in advance. When the family files their 2021 taxes, there will only be \$1,500 left of the child tax credit to lower their tax bill. Everything else being equal, they will owe \$500 more in 2021 than they did in 2020.

Reach out to your tax professional to discuss how the advance child tax credit will impact your 2021 taxes.

Client PROFILE...

Tiffany started a t-shirt company and she needs to inventory her remaining stock for the end of the year. How can she determine a value for her remaining shirts?

Tiffany will want an accurate year-end tally so that her inventory and costs are correct for the year. After she has physically counted the shirts she has on hand as of December 31, she has a few methods to choose from to determine their dollar value.

LIFO – Short for “last-in, first-out.” This implies that the remaining shirts are the oldest because the last ones she received were the first ones out the door when a customer made a purchase. Therefore, she assigns the oldest price to each shirt.

FIFO – The opposite of LIFO, “first-in, first-out” means that the inventory is sold in the order it was received. This means the newest shirts remain in stock at the more recent cost.

Specific Identification – This method groups pieces of inventory together based on when they were purchased, how much they cost and any additional costs that are incurred until sold.

Client Profile is based on a hypothetical situation.

The solutions we discuss may or may not be appropriate for you.



NUTS AND BOLTS OF EXCHANGE-TRADED FUNDS

An exchange-traded fund (ETF) can add diversity to your investment portfolio.

STOCK BUNDLES

An ETF is created to track the value of an underlying asset (like gold) or index (like the S&P 500). It purchases and bundles together the appropriate stocks, bonds, commodities or currencies and then sells shares of this package to investors.

NOT A MUTUAL FUND

Unlike mutual funds, which are bought and sold at the end of the day, ETFs can be traded throughout the day. And while actively managed mutual funds can see more turnover of the underlying assets, creating capital gains, ETFs are generally passively managed. They don't incur much buying and

selling. Also, ETFs usually have lower fees than mutual funds and lower investment minimums.

ETFs VERSUS STOCKS

When you buy stock, you're investing in one company. But with an ETF, you're investing in a basket of securities providing greater diversification. And because ETFs are professionally managed, you can spend less time researching and selecting individual investments.

Consult your financial professional to discuss whether ETFs are suitable for your portfolio.



SOCIAL MEDIA FOR YOUR SMALL BUSINESS

Keep these tips in mind when promoting your business online.

PLATFORM SELECTION

Define the demographics of your audience (age, income, education, interests, etc.) and the type of content that will motivate them to want more information about your products or services. Various platforms describe their users online so you can make a good match. Start slow and set goals for followers or the number of posts before you consider adding more networks.



is already taken, so get creative by adding a city or state to your name.

WRITE A COMPELLING DESCRIPTION

All platforms give you a small space to provide information about your company. This is a perfect place to provide prospective customers with a link to your website and a benefit-oriented statement about what you do. Keep it simple and don't overthink it.

DON'T FORGET A PHOTO

Remember to add a professional profile photo and professionally designed logo. Don't skip on this step because you need a professional image for your brand.

USERNAME CHOICE

Choose a name that communicates what your business does. Because social media has been around for a while, you might find that your name

... Q & A

Q What is Direct Primary Care (DPC) and how does it work?

A DPC has been around since the mid-2000s, and it's a financial arrangement directly between a patient and healthcare provider. It cuts out the insurance providers. Instead of paying monthly insurance premiums, you pay your doctor a monthly fee that will generally cover typical primary care services like check-ups, preventative care and basic lab tests. But it won't cover costs for catastrophic events, so it also makes sense to have a high deductible health plan to prevent financial devastation due to a medical emergency or serious health problem. Consider owning a Health Savings Account (HSA), which has triple tax benefits.

Q Do I need workers' compensation insurance for my company?

A Workers' comp insurance provides financial benefits to employees who have been injured on the job, and laws governing its requirement vary from state to state. Several states require employers to have it in place when the first employee is hired. Others have head-count thresholds. For example, Florida mandates workers' comp when you have four or more workers and aren't in the construction industry. And typically, business owners can elect to be exempt from coverage. If you use subcontractors, make sure they have their own coverage. If they get injured at your location, you may be responsible for paying for their workers' comp benefits.

ClientLine® SHORT BITS...

> IRS LIVE

Have you had trouble reaching a live person when you call the IRS? That's partly because of an historic number of callers during the 2021 filing season. The IRS received 85.1 million calls on its toll-free 1040 phone line. Compare this figure with 7.3 million and 12.1 million calls for the 2019 and 2020 filing seasons. In 2021, only about 3% of callers reached a live customer service representative.

> HELP WANTED

Over half (54%) of small business owners say they have personally had to work more hours or take on more roles to make up for staffing shortages, according to a survey

by the U.S. Chamber of Commerce. Nearly half of small businesses are struggling to find candidates with the right mix of skills and experience. And about three-quarters plan to do something different, like increase pay or offer flexible working arrangements, to attract new talent.

> FINANCIAL ENFORCEMENT

According to The Financial Industry Regulatory Authority (FINRA), in 2020, it referred 970 fraud and insider trading cases to the SEC and other federal and state law enforcement agencies for prosecution. It completed over 5,600 exams and reviews of registered broker-

dealers and assessed \$57 million in fines while securing \$25.2 million in restitution to harmed investors. It suspended 375 brokers for violations or misconduct and barred 246 from continuing practice.

> COST OF GOODS SOLD

The costs of making US coins in 2020 decreased from 2019. The US Mint reported that it costs \$0.0176 to produce and distribute a penny in 2020, down from \$0.0199 in 2019. It costs \$0.0742 to make a nickel and \$0.0373 to make a dime. Quarters have the highest price tag at \$0.0862 each. It cost \$0.0901 to make a quarter in 2019.

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