

JANUARY 2022



Squyres & Co would like to wish everyone a Happy New Year!

To assist you in closing out 2021 and starting the New Year, we have included a list of a few reminders for your consideration and some other important information. This is a general list. Please disregard any area that does not apply to you. Also, should you have any questions or need any assistance, one of our Certified QuickBooks ProAdvisors would be happy to help you.

The due date for filing Forms W-2 and W-3 with the Social Security Administration is January 31, 2022, whether filing electronically or using paper forms. **You must send 1099-NEC for contract laborers and nonemployee compensation to recipients and the IRS by January 31, 2022.** You must send 1099-MISC to recipients by January 31, 2022 and to the IRS by February 28, 2022 if by paper and March 31, 2022 if electronically. The 1099-MISC form will still be used to report royalties, rents, prizes and awards, payments to attorneys, medical and healthcare payments, and other income payments.

1099 Preparation:

1. Review your vendor list information and begin gathering any information or W-9 forms needed in order to issue 1099s by January 31, 2022. If we prepare your 1099s, please send W-9s to any new vendors requesting tax ID numbers and mailing addresses as soon as possible and forward to our office. This will ensure we have the information needed to complete your 1099s by January 31.
2. To assist with proper 1099 calculations, please review the "Other Names" list in QuickBooks. If you have used "Other Names", they need to be reclassified to "Vendor Names". "Other Names" do not appear on the "1099 Summary" or "1099 Detail" reports in QuickBooks and you cannot process a 1099 for them. In general, anyone to whom you write a check (other than payroll) should be a "Vendor" in QuickBooks. Go to "Lists" at the top, then "Other Names" to review this list. If using "Other Names", go to the bottom of the list under activities, and select "change other name types" to convert them to vendors. Checks for payment of bills should not be issued to "Customer Names". If that error has occurred, you need to create a "Vendor Name" and reclassify each transaction to the "Vendor Name".
3. If needed, merge vendor names together if you have two vendor names set up for the same vendor in error. Change the incorrect vendor name to be the correct name and QuickBooks will merge them together for you. Please make note of any contact information (addresses, phone numbers, etc.) contained within the **incorrect** vendor so that it can be added to the new vendor if not already there once the two are merged.
4. If you are using QuickBooks, use the following report to assist with the review process after you have completed steps 2 & 3 above. Go to Reports; Vendors & Payables; 1099 Detail; set dates

for 1/1/21 to 12/31/21; 1099 options to “All Vendors” and “All Allowed Accounts” and expand the account and memo columns to assist with review. You need to determine whether or not the vendor was incorporated; if you paid \$600.00 or more to the vendor; and if payments were for services provided (including parts and materials) or rent payments. An attorney should receive a 1099 even if they are incorporated, if paid \$600.00 or more.

5. QuickBooks will be updating the software to include the new 1099-NEC forms with three forms to a page but the available date has not been announced yet. Squyres & Co will send out any new information as it becomes available.
6. 1099-NEC forms are due to the recipient AND the IRS by January 31, 2022. All other Forms 1099 & 1096 should be filed by February 28, 2022 if you are filing on paper, or by March 31, 2022 if you file electronically.

General Year-End Items:

1. Contact all loan holders and request a statement in writing verifying the loan balance as of 12/31/2021 and interest paid during the 2021 calendar year. Please provide copies of all documents to Squyres & Co for tax return preparation.
2. If you use company credit cards, remember that charges on the credit cards through 12/31/2021 are deductible for income tax purposes even if you have not paid the credit card balance in full as of 12/31/2021. Make sure those charges are keyed into QuickBooks using “Enter Credit Card Charges” on the Banking menu and the balance in QuickBooks reconciles to the 12/31/2021 credit card balance. Please provide copies of the December 2021 and January 2022 credit card statements for our year-end work and tax return preparation for you.
3. If you maintain inventory, an inventory count should be completed on or near the year-end. Your final ending inventory balance should be adjusted accordingly.
4. Review your outstanding check list from the bank reconciliation report and clean up items as needed. Remember, any old checks from a prior year or closed period must be voided using a journal entry in QuickBooks. **DO NOT USE the “void check” feature for non-payroll checks as this will change your bank reconciliation and balance forward.** Pay special attention to any **payroll checks** that did not clear the bank in 2021 before W-2s are issued. For QuickBooks users, please let us know if you need to void any pay checks as your 4th quarter 941 report will need to be adjusted. Make sure all bank accounts are reconciled before preparing W-2s or 1099s, or before you submit your QuickBooks to us to do these year-end procedures for you.
5. If your books are maintained on the accrual basis, review your accounts receivable and accounts payable reports (Open Invoices and Unpaid Bills Detail, respectively) and clean up balances as needed. Again, entry errors from prior years need an invoice or credit memo issued in 2021 to correct – **do not use the “void” feature.**
6. The IRS has announced the 2022 standard mileage rate. The rate for 2022 has been increased to **58.5 cents per mile.** The rate for 2021 was 56 cents per mile.

Payroll Items:

1. If you are processing your own payroll in QuickBooks, or any other package, make sure you update the software before the first payroll in January 2022 is processed to reflect your new TWC rate for 2022. You should have received a letter from TWC stating your new rate for 2022. If you have not received this letter, you should call the TWC office in Tyler at 903-581-8153 and ask for your new tax rate. Also please provide a copy of this letter to us so we can keep in your file. If your system is not updated with this new rate, all of your reports for TWC filing will be incorrect within your software. To change your TWC rate in QuickBooks, go to “Lists – Payroll Item List – TX Unemployment item” and choose to edit that item. Click Next until you get to the “Company Tax Rates for 2022” screen. Change all four boxes to the new rate. Pay close attention to the location of the decimal. Make sure you run the update payroll tax tables feature in QuickBooks, or any other software to make sure you have the new tax table for 2022 loaded before your first payroll in 2022.
2. The deadline for issuing W-2 forms to the recipient AND the IRS is January 31, 2022.
3. The IRS has been sending out notices regarding your tax deposit requirements for 2022 outlining which rule you must follow – monthly or semi-weekly. If you have not received this notice, either call the IRS office or you can calculate it yourself. There is a table describing how to determine your proper method for payment (Look Back Period) in the circular E or Publication 15 booklet. Remember, penalties are stiff for late deposits and it is your responsibility to make sure you are following the correct rule.
4. The 401(k) elective deferral limit for 2022 is \$20,500 with a maximum catch-up of \$6,500 for those over 50 by year end. The Simple IRA deferral limit is \$14,000 for 2022 with a maximum catch-up of \$3,500.
5. A new W-4 only needs to be completed if the employee wishes to change their withholdings for 2022. We recommend you give every employee a copy of the W-4 form and let them decide if they need to give you a new one for 2022. Remember, the IRS changed the form in 2020 so make sure you are using the correct form.
6. A Form I-9 should be completed for all new employees when hired. The last edition was released October 21, 2019 and expires 10/31/2022.
7. If you have a more than 2% shareholder, their employer provided health insurance should be included on the W-2 in Box 1, but does not need to be reported in Boxes 3 or 5.

Property Taxes:

1. The property tax rendition forms are due to the local county tax office by April 15, 2022. A penalty of 10% of the amount of annual taxes imposed is assessed if the rendition form is filed late.
2. Many of you use the depreciation listing maintained by Squyres & Co for tax return preparation

as a base report to remit with the property tax rendition form. Please take time to review the listing for sold or disposed of items that need to be removed from that list. If you need a copy of your list, please contact our office and we can assist with getting a copy to you.

QuickBooks Items:

1. A good protective item to maintain the integrity of your prior year's data is to go into the preferences area and close your books as of 12/31/2021. This will prevent you from accidentally posting a 2022 transaction into the 2021 year. To close the books for the year, you must be logged in as an Administrator. Once all transactions for 2021 have been entered, go to Edit>Preferences>Accounting and select the Company Preferences tab. Click the button at the bottom labeled "Set Date/Password". Type 12/31/21 in the "Closing Date" field. You will need to assign a password to the closing date. Be sure to write your password in a safe place as you will not use it often, and if we prepare your tax return, you will need to provide the password to us so that we may make journal entries, if needed. **MAKE SURE YOU HAVE A GOOD BACKUP OF YOUR QUICKBOOKS FILE SAVED OFFSITE AND LET QUICKBOOKS VERIFY THE INTEGRITY OF THE BACKUP TO ENSURE THERE ARE NO DATA ERRORS.** Memory sticks are great for this.
2. After your year-end procedures are complete, you may want to evaluate the size of your Quickbooks data file and determine if a "Condense Data" procedure needs to be done to reduce the file size and clean up your customer and vendor lists. This process will speed up the processing time needed in your QuickBooks file when processing reports, running statements, etc. You can contact us regarding this process and let us assist you if needed with the procedure. For very large files, this procedure may take a full day to run and will need to be done over a weekend.

Employee Retention Credit:

The Employee Retention Credit (ERC) is a refundable tax credit that was created to encourage business owners to keep their employees on the payroll and minimize the number of workers filing for unemployment benefits. The credit is computed differently for 2020 and 2021 and was terminated as of 9/30/21. For 2020, the tax credit is equal to 50% of qualified wages that eligible employers pay their employees in a calendar quarter, and qualified employers can receive a maximum credit of \$5,000 per employee. For 2021, the tax credit is equal to 70% of qualified wages that eligible employers pay their employees, and qualified employers can earn a maximum credit of \$7,000 per employee per quarter (or \$21,000 per employee for the year).

Sqyres will calculate the potential credit for all clients for whom we currently provide bookkeeping services. We will contact you regarding any potential amendments to previously filed quarterly reports to determine if you wish to file. If Sqyres does not provide bookkeeping services for your company

but you are interested in the credit, please contact our office and we will send you the list of items needed to determine if your company is eligible and calculate the credit.

As always, we are here to assist you at any time with any questions you may have.

Erin Pugh, Certified QuickBooks ProAdvisor

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