

What's The Buzz NEWSLETTER

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We are plugging away at all the messes resulting from another year of tax changes, employee shortages, backlog and now shredding done by the IRS. We are so thankful to have amazing clients that appreciate our help and are patient with us as we navigate through this chaos. Many days feel like we are surrounded by things on fire and are fighting panic, but at least we do it while we are surrounded by awesome people!

-Busy Bee Accounting Team

Save that!

No doubt that if you have read or watched the news lately then you have heard that that the IRS shredded an alarming 30 million tax documents recently. The documents included but may not be limited to W2s and 1099s as the IRS was not able to provide a detailed list of items that were unable to be processed due to the backlog. This fact came to light during an audit of the IRS due to a growing backlog and inability to process paper returns in a timely manner. 'The IRS uses these documents to conduct post-processing compliance matches to identify taxpayers who do not accurately report their income' and though they insist that the shredding of these documents will have no negative consequences to the taxpayer as far as penalties and notices applied, this can still have consequences for taxpayers and here is why:

Should you find yourself to be like many other Americans that lost employment during the Covid-19 pandemic due to your employer closing their business, your employer at the time may have had an old contact address for you or may have failed to provide you a copy of your W2 months after closure. As a result, you no longer have a W2 to give to your tax preparer to complete your taxes. Previously, you could log into your IRS account online and retrieve a copy or request account transcripts showing any information reported to the IRS related to your social security number. Rather being scanned into the IRS database as previously done, those documents were shredded, and no information appears in either the online portal or an account transcript.

Are you one of those people that puts important things in a place for “safe keeping”? If you have fallen victim to your own attempts to put things in a safe place only to forget where that safe place is, hopefully the items were not your important tax documents. If you have lost any of your tax documents, your option of getting another copy is now limited to trying to get your employer to produce another copy or retrieving it from another government entity’s online database.

Many of us are learning the hard way this year that best practice is to make sure that you update your address with your employer, current or previous, if you change employment mid-year. Also, put all your important documents in a place you will not forget or leave yourself a reminder of where they are, and double check everything that is mailed items are not important tax documents before throwing them away because you may have trouble obtaining a copy of them if you end up needing them in the future.



Social Security Taxation

For many, your working life is spent paying into social security with the intention of later withdrawing social security funds to financially support yourself during retirement. What many do not know though, is that the money you

receive in Social Security benefits can be federally taxable depending on your annual income in total. Social Security benefits include monthly retirement, survivor and disability benefits and are said by the SSA to only be taxable if the taxpayer has “other substantial income” However, taxes on social security are applied based on these income ranges:

Below \$25,000 Not Taxable

\$25,000-\$34,000 50% Taxable

Over \$34,000 80% Taxable

and the average amount of social security benefits received per beneficiary is barely over \$18k annually. For many collecting social security benefits, their SS benefits only represent 30% of their income and to make them amount they collect livable, they are either still employed or collecting pension and other benefits saved during their service years. These are the folks likely most effected by the taxability of social security.

According to a fact sheet put out by the SSA in June 2021:

- Social Security benefits represent about 30% of the income of the elderly. *
- Among elderly Social Security beneficiaries, 37% of men and 42% of women receive 50% or more of their income from Social Security. *
- Among elderly Social Security beneficiaries, 12% of men and 15% of women rely on Social Security for 90% or more of their income. *

This leaves beneficiaries to decide if 90% of their livable income in their elderly years will be limited to an average of \$18k, or if they should stay employed past retirement age. These amounts undoubtedly make saving for retirement outside of SS even more important but at the cost of possibly making what they do receive in SS benefits, taxable.



Identity Protection Tips



Tax time always comes with an increase in identity fraud. Stolen social security numbers, tax returns filed fraudulently, bank accounts hacked, and tax return refunds withdrawn by someone other than the taxpayer. So, as it becomes more and more important to be vigilant about protecting your identity, here are some tips to protect yourself from identity fraud.

1. Check Your Mail

Check your mail consistently and keep an eye out for any packages and letters that should be coming to your mailbox that you know of. If you see that an item you were expecting did not arrive, file a claim with your post office and contact the Postal Inspector or Inspector General as soon as possible.

2. Protect your Social Security Number

Some tax documents show a recipients entire social security number. When possible, request that the sender hides the number or at least a portion of it.

3. Use Encryption

When viewing or transmitting information online that has sensitive personal information it is best to send them encrypted or at least password protected with a strong password. Anti-virus software, spyware protection and firewalls are also good additions to online safety protocols to help with identity protections.

4. Ask Questions

This is one of the most important things to do when someone requests your personal information. Do your diligence to know if what a business or agency is asking for is standard for their industry type and what ways they typically contact customers. Do not send any money or give any account information to an entity you are unsure of until you check their identity. Check your bank accounts regularly to see if any questionable transactions appear and be sure to call your bank directly to ask about them to be sure they are not fraudulent.

5. Get an IP PIN

If you believe you are the victim of identity theft and your sensitive personal information may be or has been utilized for tax purposes, it is recommended that you get an Identity Protection Pin from the IRS. To request, visit the online portal at [IRS.gov](https://www.irs.gov). Each year the IRS will send you Notice CP01A giving you a unique 6-digit pin to use when filing your taxes. If you lose the letter, never received one or cannot log in to retrieve it from your online portal, call the IRS 800-908-4490.

Why Report Employee Tips?

Tips are the optional or extra payments an employee receives from customers. Tips can include cash, tips left through an electronic payment system, the value of any non-cash items received, and tip splits, pools, or other tip sharing arrangements. The main reasons why tips should be reported are that it is a requirement and because tips affect the employee's Social Security pay in.

Not only are these tips reportable because they may be subject to Federal income tax, Social Security and Medicare taxes, but must be reported to the employer to be reported on the Employee's W2 (total tips under \$20 per calendar month are not required to be reported). Voluntary Tip Compliance Agreements have also been established by the IRS for industries where tipping is customary such as restaurants and casinos which are designed to enhance compliance through education rather than examinations.

To accurately report tips, the IRS considers:

Employee Responsibilities:	Employer Responsibilities:
<ul style="list-style-type: none">○ keeping a daily tip record	<ul style="list-style-type: none">○ recordkeeping and retain employee tip records
<ul style="list-style-type: none">○ reporting their tips to their employer by the 10th of following month	<ul style="list-style-type: none">○ reporting employee responsibilities
<ul style="list-style-type: none">○ reporting all tips on their income tax return.	<ul style="list-style-type: none">○ collecting taxes on tips
	<ul style="list-style-type: none">○ paying tip related taxes such as employer share of SS and Medicare tax
	<ul style="list-style-type: none">○ filing related forms

Regarding social security tips, when tip earnings are reported and SS taxes paid on those tips, it increases an employees pay in amount for their SS retirement. So, if there is one way to motivate employees to report accurate tips, it is to let them know that is they were to retire, become disabled or die, the more money they have paid into SS benefits, the better.

Have an idea of other Business Basics topics you would like us to cover?

Message us on our webpage or Facebook!

<https://www.busybeeaccounting.com/>

<https://www.facebook.com/busybeeaccounting>

Sources:

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<https://oag.ca.gov/idtheft/facts/top-ten>

IRS

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