



Coleman & Associates

Fully Integrated Tax, Accounting & Financial Services

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Important Dates:

- ❖ **January 17** – 4th Quarter installment of 2022 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

It's Tax Time! Tips to Get Organized

The beginning of a new year brings the need to recap the previous one for Uncle Sam. If you aren't sure whether something is important for tax purposes, retain the documentation. It is better to save unnecessary documentation than to later wish you had the document to support your deduction.

Here are some tips and a checklist to help get you organized:

- **Look for your tax forms.** Forms W-2, 1099, and 1098 will start hitting your inbox or mailbox in the next couple of weeks. If you have not already done so, review last year's records and create a checklist of the forms to make sure you get them all.
- **Collect your tax documents.** Your tax organizer will arrive later this month, use it to sort your tax records to match the items to last year.
- **Clean up your auto log.** You should have the necessary logs to support your qualified business miles, moving miles, medical miles and charitable miles driven by you. Gather the logs and make a quick review to ensure they are up to date and totaled.
- **Coordinate your deductions.** If you and someone else share a dependent, confirm you are both on the same page as to who will claim the dependent. This is true for single taxpayers, divorced taxpayers, taxpayers with elderly parents/grandparents, and parents with older children.

With proper organization, your tax filing experience can be timely and uneventful.

Welcome Ebony Ambrose!



Ebony graduated from Columbia College Chicago with a Bachelor of Arts in a self-designed major. Before joining the firm, Ebony spent over a decade as a database guru and fundraising expert in the nonprofit world.

When not digging into data, Ebony lends her time and talents to organizations tackling gun violence in Chicago, an issue that has touched her family personally. She lends her voice to the cause by participating in opportunities such as speaking to graduate level journalism students and being a “book” in a Human Library. It gives her a chance to share a perspective not often considered.

Ebony also enjoys being a Birth and Wedding photographer, a baby reading coach, and an aspiring author. Ebony is a lifelong Chicagoan, avid sports fan, and a wannabe creative with a deep appreciation for the arts. This wife and mother of 3 is a south sider at heart that now resides on the north side

Illinois 2023 Employment Law Update

The following changes to Illinois employment law apply as of January 1, 2023.

- ✚ **Minimum wage.** The minimum wage increased to \$13 per hour, and the minimum base wage for tipped employees increased to \$7.80 per hour. Illinois’s minimum wage law applies to employers with four or more employees (regardless of location).
- ✚ **Days of Rest and Meal Breaks.** Illinois has expanded its requirements for days of rest and meal breaks, which apply to employers of all sizes, as follows:
 - **More Frequent Days of Rest.** Employers will have to provide nonexempt employees with at least 24 consecutive hours off of work in each consecutive seven-day period instead of each calendar week. This means employers can’t schedule an employee for more than six days in a row. There are several exemptions, including for supervisors and employees who work 20 hours or less per week. The law still allows employers to obtain a waiver if an employee wants to work on their day of rest. The waiver is available from the Illinois Department of Labor (IDOL).
 - **Additional Meal Break for Long Shifts.** Employees who work more than 7.5 hours in a row will be entitled to an additional 20-minute meal break for every 4.5 hours worked. For example, an employee who works a 12-hour shift will get two 20-minute meals breaks.
 - **Notice** Employers must post a notice about these rights in a conspicuous location at work. For employees who don’t regularly report to the workplace, employers must provide the notice by email or on an internal website that the employer regularly uses to communicate work-related information and that all employees can regularly access.
- ✚ **Hairstyle Discrimination Prohibited.** Employers will be prohibited from discriminating on the basis of traits associated with race, including hairstyle. The state’s employment discrimination law, which applies to employers of all sizes, will define race to include traits associated with race, including, but not limited to, hair texture and protective hairstyles. Examples of protective hairstyles include braids, locks, and twists.

Employers should evaluate any policies that limit hairstyles, including policies that contain indirect restrictions, such as those that require hair to be less than a certain length. If you

have safety concerns, brainstorm ways to safely allow protected hairstyles. For example, employees with long hair may be able to tie it back or cover it during hazardous activities. If you (or the employee) can't resolve a conflict between protected hairstyles and safety, we recommend consulting with an attorney before taking adverse action against the employee.

Many states that adopt a CROWN act (which stands for Create a Respectful and Open World for Natural Hair), including Illinois, define race to include any trait associated with race—not just hairstyles. This could generate broader applications of the law, such as protections for dialect and styles of dress.

- ✚ **Bereavement Leave Expanded.** Bereavement leave in Illinois will be expanded to include more than the death of a child. Employers that have 50 or more employees will now be required to provide employees with time off for the death of an expanded list of family members, including grandparents and grandchildren, and for an expanded list of reasons related to pregnancy, fertility, and adoption, including miscarriage. Employers can cap bereavement leave at 10 workdays per death or event, and six weeks for the deaths of multiple family members in a 12-month period. The leave can generally be unpaid. Employees are entitled to use their other available paid time off, such as vacation time, during their leave. See the law alert on the platform for additional details.

Employers may require reasonable documentation to support the need for leave (for example, a copy of an obituary) but can't require that an employee disclose which category of bereavement leave they need. For leave for losses related to pregnancy, adoption, or fertility, reasonable documentation includes a completed model form that the Illinois Department of Labor will make available or a note from a surrogacy or adoption agency.

New Standard Mileage Rates for 2023

Beginning on January 1, 2023, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 65.5 cents per mile driven for business use, up 3 cents from the midyear increase setting the rate for the second half of 2022.
- 22 cents per mile driven for medical or moving purposes for qualified active-duty members of the Armed Forces, consistent with the increased midyear rate set for the second half of 2022.
- 14 cents per mile driven in service of charitable organizations; the rate is set by statute and remains unchanged from 2022.

These rates apply to electric and hybrid-electric automobiles, as well as gasoline and diesel-powered vehicles.

The standard mileage rate for business use is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

Form 1099-K – Threshold Changes Delayed

Do you use third-party settlement organizations (TPSOs) to sell items on Facebook, eBay, or Etsy? TPSOs include Zelle, PayPal, CashApp, Square, Stripe, Venmo and more.

The monetary threshold to receive a Form 1099-K from a TPSO was scheduled to be reduced to \$600 with no minimum number of transactions for 2022 as part of the American Rescue Plan of 2021.

The IRS announced a delay in reporting thresholds for all TPSOs, thereby retaining the existing reporting threshold to receive a 1099-K of \$20,000 with more than 200 sales transactions.

Plan Your Retirement Savings Goals for 2023

A big jump in cost-of-living calculations means a big jump in how much you can contribute to retirement accounts in 2023! Now is the time to plan your retirement contributions to take full advantage of this tax benefit. Here are annual contribution limits for several of the more popular retirement plans:

PLAN		2023	2022	CHANGE
SIMPLE IRA	Annual Contribution <i>50 or over catch-up</i>	\$15,500 <i>Add \$3,500</i>	\$14,000 <i>Add \$3,000</i>	+ \$1,500 <i>+ \$500</i>
401(k), 403(b), 457 and SARSEP	Annual Contribution <i>50 or over catch-up</i>	\$22,500 <i>Add \$7,500</i>	\$20,500 <i>Add \$6,500</i>	+ \$2,000 <i>+ \$1,000</i>
Traditional IRA	Annual Contribution <i>50 or over catch-up</i>	\$6,500 <i>Add \$1,000</i>	\$6,000 <i>Add \$1,000</i>	+ \$500 <i>No Change</i>
AGI Deduction Phaseouts:	Single; Head of Household Joint nonparticipating spouse Joint participating spouse Married Filing Separately (any spouse participating)	73,000 - 83,000 218,000 - 228,000 116,000 - 136,000 0 - 10,000	68,000 - 78,000 204,000 - 214,000 109,000 - 129,000 0 - 10,000	+ \$5,000 <i>+ \$14,000</i> <i>+ \$7,000</i> <i>No Change</i>
Roth IRA	Annual Contribution <i>50 or over catch-up</i>	\$6,500 <i>Add \$1,000</i>	\$6,000 <i>Add \$1,000</i>	+ \$500 <i>No Change</i>
Contribution Eligibility	Single; Head of Household Married Filing Jointly Married Filing Separately	138,000 - 153,000 218,000 - 228,000 0 - 10,000	129,000 - 144,000 204,000 - 206,000 0 - 10,000	+ \$9,000 <i>+ \$14,000</i> <i>No Change</i>
Rollover to Roth Eligibility	Joint, Single, or Head of Household Married Filing Separately	No AGI Limit Allowed / No AGI Limit	No AGI Limit Allowed / No AGI Limit	No AGI Limit <i>Allowed / No AGI Limit</i>

What you can do

- ✓ Look for your retirement savings plan from the table and note the annual savings limit of the plan. If you are 50 years or older, add the catch-up amount to your potential savings total.
- ✓ Then make adjustments to your employer-provided retirement savings plan as soon as possible in 2023 to adjust your contribution amount.

- ✓ Double check to ensure you are taking full advantage of any employee matching contributions into your account.
- ✓ Use this time to review and re-balance your investment choices as appropriate for your situation.
- ✓ Set up new accounts for a spouse and/or dependents. Enable them to take advantage of the higher limits, too.
- ✓ Consider IRAs. Many employees maintain employer-provided plans without realizing they could also establish a traditional or Roth IRA. Use this time to review your situation and see if these additional accounts might benefit you or someone else in your family.
- ✓ Review contributions to other tax-advantaged plans, including flexible spending accounts (FSAs) and health savings accounts (HSAs).

The best way to take advantage of increases in annual contribution limits is to start early in the year. The sooner, the better.

Tips to Get Your Finances in Tip-Top Shape

Here are some tips to get your finances in tip-top shape for 2023.

- **Know your net worth.** The first step to improving your finances in 2023 is to create a snapshot of your current financial situation. So note all your assets, then subtract all your liabilities (what you owe others) to calculate your net worth. When done on a regular basis, you will be able to evaluate changes to your financial status and identify steps to reach your financial goals.
- **Plan for hardships.** If the pandemic has taught us anything, it's to plan for the unexpected. Now is the time to prepare by building an emergency fund that covers six or more months of expenses.
- **Prepare for a lower refund.** The 2021 tax year saw increases to the child tax credit and the dependent care credit, resulting in a big jump in tax refunds for many taxpayers. These changes, however, were not extended to 2022. If you plan to take advantage of either of these two credits on your 2022 tax return, be prepared for a possible decrease in your refund.
- **Create a debt repayment plan.** Design a plan to pay off your existing debts and try to avoid taking on any new debt. Pay special attention to credit card debt, as inflation is vastly increasing the cost of this debt every month! Also consider whether consolidating your debt is a good option for you.
- **Save for retirement.** Plan for your future self by building your retirement fund. In 2023 you can contribute up to \$22,500 in your 401(k), plus another \$7,500 if you're 50 or older. Keep in mind your company may provide matching contributions up to a stated percentage of compensation. And you may be able to supplement this account with contributions to IRAs and/or other qualified plans.

- **Review and re-balance your portfolio.** Review your investments periodically and reallocate funds to reflect your main objectives, risk tolerance, and other personal preferences. This will put you in a better position to handle the ups and downs of the markets.
- **Set a date to review your estate.** Review your estate and legal documents at least once a year, in addition to whenever you experience a significant change in your life. Now is a good time to review your will, trust documents, beneficiary designations, powers of attorney, healthcare directives, and other estate- and legal-related documents.

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

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