

W-2 & 1099 time

It's time to prepare W-2's for employees and 1099's for outside service providers.

Remember that there are penalties for inaccurate information, so check your records for accurate (including spelling):

- Payee first and last names
- Addresses
- Social Security Numbers

If you are missing any information, give a W-9 form to the payee to complete. If in doubt, send a W-9. You can download a printable W-9 form at www.irs.gov/pub/irs-pdf/fw9.pdf, or call our office and we will send one to you.

W-2's and 1099's need to be out to workers by Jan. 31, and also be filed with the government by Jan. 31. During the past year, we have seen penalties imposed for missing or inaccurate forms.

The 1099 forms are required for payments of \$600 or more to non-incorporated entities (including LLC's) for rent, interest paid or services rendered.

Income for independent contractors ("non-employee compensation") is reported on Form 1099-NEC, while rent, attorney payments and other types of income will be reported on Form 1099-MISC.



Annual sales tax licenses

Most businesses received the bill for the \$20 Municipal Tax License fee with the ADOR annual license renewal in mid-December. That fee and the state license renewal are handled by ADOR and filed through your aztaxes.gov account. The Bookkeepers will schedule renewal and payment if we do your sales tax reports.

The City of Tucson's \$50 annual business license fee is billed separately and must be paid to the city, not to the state along with state fee. You should have al-

ready received the city renewal form in the mail. If you need help with the form, please turn it in with your December work so we can fill it out and send it back.

It can be paid by mail, at a city cashier, or online at <https://tucsonaz.taxandrevenue.opengov.com>.

W-4 and A-4 forms

Every Arizona employer is required to make Arizona's A-4 withholding form as well as the federal W-4 form available to its Arizona employees by Jan. 31.

The form is available for download at <https://azdor.gov/forms/withholding-forms/arizona-withholding-percentage-election>, or call our office for a copy. Also, there is a Form A-4C for employees who make

donations to tax credit organizations to request reduced withholding.

The 2026 A-4 has seven withholding rate options, the same as on the 2024 form, topping out at 3.5%.

(Arizona has only one income tax rate -- 2.5% of taxable income.)

The box for zero withholding option and the line for additional Arizona withholding also appear.

If an employee doesn't fill out a new A-4 form, the employer will use a default rate of 2.0%. Withholding forms are not sent to the government but kept by the employer in their payroll records.

Mileage for tax time

IRS' standard rate for business mileage was 70¢ for 2025. As you tally up your business mileage for the year, remember to keep your mileage records with your tax papers. IRS requires written records for mileage to be deducted.

At publication time, IRS had not yet announced 2026 standard business mileage rate.

Mileage up to 72.5¢

IRS announced its 2026 business mileage rate as 72½¢ per mile, up 2½¢ from 2025.

The rate applies to fully-electric and hybrid vehicles, as well as gasoline and diesel-powered ones.

Taxpayers have a choice of using either actual expenses or the standard mileage rate to deduct the costs of driving personal vehicles for business purposes.

Either way, a record of the mileage needs to be kept. It doesn't have to be a log; a calendar or other system may be used as long as it tracks the date, distance, destination and business purpose of the trip.

Many business people are now using smartphone apps that use GPS mapping to track their mileage.

While unreimbursed mileage may be deducted on the annual income tax return, small business owners may find it advantageous to reimburse themselves for mileage during the year.

Employee unreimbursed business expenses are not deductible, so for corporations (either S or C) reimbursements are necessary to get a tax break for the costs of driving.

Reimbursements should be paid under an "accountable plan." That is a company policy that pays for mileage based on mileage expense reports turned into the company. The policy should be written, spelling out the frequency of report submissions (such as monthly or quarterly) and the rate (typically the IRS mileage rate) that will be paid.

Reimbursements are deductible business expenses but are not taxable or reportable income to the recipients. For business owners who drive extensively in



their work, that is a way to pull money out of the company without increasing the individual's taxable income.

The IRS considers flat expense allowances, such as \$200 per month, as taxable income, so the extra paperwork of keeping a mileage log and reimbursing for actual miles driven is beneficial.

The new K

The latest business buzzword is "K-shaped economy." The K shape refers to a widening gap between affluent and lower-income people.

A report from the Bank of America Institute showed spending by consumers in the top third of the income scale rose last year faster than it had in the previous three years. Meanwhile, spending by lowest third households was essentially flat.

Delta Airlines has noted the trend. It has been selling more high-priced seats, business and first class, while economy seat sales have lagged.

Are you average?

The average 50-something American is worth \$1.4 million, according to a new report by financial services firm Empower.

If you're not there, don't feel bad. That number is driven up by the ultra-wealthy.

The median net worth for someone in their 50s is \$192,964. Median means half of the people have more and half have less than that amount.

For 20-somethings, the average net worth is \$127,730 ... but the median is \$6,689. Many Americans in their 20's have sizable student loans and other debt, so they often have negative net worths.

Most common

The most prevalent job in America is home health or personal care aide, numbering nearly 4 million workers, according to the U.S. Bureau of Labor Statistics.

Retail sales is number two, followed by fast food and counter workers. About 3.8 million people fill those positions.

Cashiers come in at number 6, followed by laborers, stockers and customer service representatives.

Restaurant wait staff, with 2.3 million workers, is 11th most common job. Restaurant cooks rank number 20.

Working and caring

The predominance of home caregiver jobs is the tip of the iceberg. More than 63 million Americans provide care for an adult family member, and most of them have regular paid jobs as well, according to AARP.

Caregiving responsibilities create challenges for both employees and employers. The average caregiver spends about six hours a day caring for aging loved ones, according to New York Life Group Benefit Solutions.

Even if caregiving doesn't necessitate taking time off from work, the demands can strain focus and energy on the job. Companies can see productivity suffer.

The federal Family and Medical Leave Act provides up to 12 weeks of unpaid leave per year to care for immediate family members. However, the law applies only to employers with 50 or more workers, recognizing the hardships even un-

paid leave could cause small businesses. Staffing scheduling could be disrupted and small firms may not have multiple employees with the skills to fill in for time off.

Arizona's Fair Wages and Healthy Families Act (FWHFA) applies to virtually all Arizona employers. Employees earn paid medical leave at the rate of one hour of paid medical leave for every 30 hours of service. The time off may be used for health conditions of the employee or their family members.

Workers in businesses with less than 15 employees may only accrue or use 24 hours of earned paid sick time per year. Workers in larger firms may accrue or use 40 hours of earned paid sick time each year.

Get rich secret

Want to get rich? Get old. That's the conclusion of the

"Growing Wealth with Age in America" research.

The data suggests that aging has historically been one of the most dependable routes to wealth. Baby boomers hold an outsized portion of national wealth, \$85.4 trillion.

The analysts attribute extended stock market and housing prices growth to boosting the finances of Americans who bought homes and invested early in life.

Holding steady

Americans' credit card balances rose by \$44 billion in the fourth quarter of 2025 to a record high of \$1.28 trillion.

However, credit bureau Equifax noted that the average card balance of \$1,890 was just about what it was a year before, despite 2.7% inflation.

